

# Drifting Off Course?

*A study into public service delivery between government  
and the voluntary and community sector in Northern Ireland.*

A NICVA Research Unit report for the  
Task Force on Resourcing the Voluntary and  
Community Sector

JJ McCarron and Stephen Reynolds  
**January 2004**

Opinions expressed in the report are not necessarily in accordance  
with the views of the Northern Ireland Council for Voluntary Action

This report for the Task Force on Resourcing the Voluntary and Community Sector is the product of two separate research projects which attempted to articulate the impact of the delivery of public services from the perspectives of the voluntary and community sector and government.

The first part of this report deals with how voluntary and community organisations involved in public service delivery view this situation and the relationship with government.

The second part focuses on how government departments and statutory agencies view the voluntary and community sector as a deliverer of public services.

**Table of Contents**

**Part One – Delivery of public services by the voluntary and community sector**

	<b>Page</b>
<b>Executive Summary</b>	<b>5</b>
<b>1 Introduction</b>	<b>11</b>
<b>2 Methodology</b>	<b>13</b>
<b>3 Historical background to service delivery by the voluntary and community sector</b>	<b>16</b>
<b>4 Previous research on contracting and service level agreements</b>	<b>21</b>
4.1 Impact on independence of the sector	23
4.2 Blurring of the boundaries	24
4.3 Impact on voluntarism – increased professionalism	25
4.4 Core costs and added value	27
<b>5 Government expenditure on service delivery by the voluntary and community sector</b>	<b>29</b>
<b>6 Reasons to be cheerful: Benefits of contracts and service delivery</b>	<b>34</b>
6.1 Clarity of contracts	36
6.2 Stability and security	37
6.3 Closer working relationship	38
6.4 Increased professionalism	38
6.5 Mission drift?	39
<b>7 The dark side of the moon?: Difficulties encountered as a result of involvement in service delivery</b>	<b>41</b>
7.1 Loss of independence	42
7.2 Core costs	44
7.3 Double standards	45
7.4 Extreme competition	47
7.5 Risks	49
<b>8 Summary and conclusions</b>	<b>51</b>
 <b>List of tables and figures</b>	
<b>Table 1: Estimate of contract/service delivery income from government</b>	<b>32</b>
 <b>Figure 1: Force Field Analysis of factors affecting service delivery by the voluntary and community sector</b>	 <b>57</b>

**Part Two — Government’s perspective of the voluntary and community sector as a deliverer of public services**

	<b>Page</b>
<b>1 Introduction</b>	<b>61</b>
<b>2 Methodology</b>	<b>62</b>
2.1 Interviews	62
<b>3 Background</b>	<b>64</b>
3.1 Public service management reforms	65
3.2 The rise of performance contracting	67
3.3 Why the voluntary and community sector?	68
3.4 Government or voluntary sector failure?	69
3.5 The Northern Ireland perspective	72
<b>4 Findings</b>	<b>75</b>
4.1 The view from the sector	76
4.2 What is ‘the sector’?	77
4.3 A fragmented approach?	79
4.4 Loss of independence and partnership	80
4.5 Co-operation in the sector	83
4.6 Funding and capacity	85
<b>5 Conclusions</b>	<b>87</b>
<b>6 Recommendations</b>	<b>91</b>
Appendix 1: Financial data from interviewee organisations	95
Appendix 2: Further interview quotations	98
References	107

**Acknowledgements**

The NICVA Research Unit is indebted to a great number of people who have assisted in the publication of this report. We would also like to acknowledge the fundamental part played by the voluntary and community sector organisations, government departments and statutory agencies which patiently took part in the interviews for this research. Without the co-operation of the many groups and government departments which responded to our requests for information, it would not have been possible to produce *Drifting Off Course?*

## **Executive summary**

This summary attempts to combine the findings and recommendations from both parts one and two of this research.

### **Government expenditure on service delivery within the sector:**

- Given the difficulties in identifying sources of funding to the voluntary and community sector in the form of contracts and service level agreements there is a clear need to establish a unified information system for data collection and analysis on all forms of government funding for the voluntary and community sector.
- NICVA estimated that in 2001 the total amount of income from government sources to the voluntary sector in the form of contracts and service level agreements was **£18.89 million**. This represents **7.7%** of the total income within the sector which is nearly half the proportion reported by NCVO for the sector in the rest of the UK.
- This study estimates, based on incomplete data, that income within the sector from government sources for public service delivery is in the order of between **£23.5 million** and upwards to about **£30 million**.

### **Benefits of public service delivery:**

- For many organisations involved in public service delivery, contracts enable them to generate a surplus which can be used to fund other core activities or even contribute to (or create in some cases) their reserve funds.
- The majority of voluntary and community organisations did not feel that their involvement in service delivery affected their ability to speak out independently or criticise statutory funders.
- One indication of the potential benefits that may accrue from service delivery is the number of voluntary and community organisations wishing they could become involved in such activities.
- In contrast to grant aid, service delivery agreements and contracts make the relationship between the parties involved much clearer with less room for confusion and disagreement.

- Involvement in service delivery generally seems to increase the general financial stability and security experienced by voluntary and community organisations.
- Another positive aspect of service delivery is the opportunity it gave groups to develop closer working relationships with funders and statutory organisations.
- A consistent theme to emerge was the increasing professionalism that resulted from voluntary and community groups having to deliver a service to meet clearly specified contractual terms.
- Many organisations did not feel that their involvement in public service delivery had resulted in mission drift in any way. However many of these organisations had grown to their present size as a direct result of their delivery of public services.
- For many organisations involved in service delivery blurring of the boundaries between the sectors, or whether they are seen as voluntary or community group, is not an issue as long as they have a clear value base from which they operate.

**Negative impacts of public service delivery:**

- Some groups clearly felt that their involvement in service delivery had a negative impact on their independence and gave examples of when speaking out had adversely impacted on their capacity to attract future funding.
- For some, particularly smaller groups, there was some experience of a shift away from their core ethos as a result of public service delivery expressed as them becoming too much like commercial organisations or to driven by the demand of contracts.
- For many organisations new to the contracting culture there were continuing problems accessing funding for core or management costs and a consequent feeling that they were subsidising public service delivery.
- There were also criticisms of double standards operating when there was competition with private and statutory sector providers. Many groups also felt that there was undue variation in practice between similar statutory sector funders and individual relationships had too much sway in access to funding for service delivery.
- There were serious criticisms of the extreme competitive approach to service delivery operated by some government funders and the potentially negative

impact this has had on local community infrastructures that had taken decades to establish.

- Several voluntary and community organisations felt that they were being expected to carry too much of the risk in setting up new programmes of service delivery within very tight deadlines.

#### **Government's perspectives on the sector as a deliverer of public services**

- Outside of their own immediate experience of dealing with specific groups the respondents from government largely expressed the view that it was difficult to understand the disparate nature of the voluntary and community sector and the wide range and size of organisations. This view extended to some criticism of the absence of a single representative or umbrella organisation that could speak on behalf of the voluntary and community sector.
- The fragmented nature of the sector lead some government respondents to speculate that rationalisation in the number of voluntary and community groups was a good thing as well as being inevitable due to future changes in funding.
- There was also some criticism of the overall approach by government departments and agencies to the voluntary and community sector with a feeling that it had become inconsistent and fragmented.
- There was widespread support and appreciation of the voluntary and community sector as a valuable resource to government in its efforts to provide public services. This extended to comments about the need for the sector to be a critical independent voice in steering government agencies in the most appropriate and efficient delivery of services.
- A strong thread of criticism running throughout the interviews focused on the perceived low level of professionalism within the sector when it came to service delivery. Several of the interviewees were not impressed with the capacity of groups in the sector and their ability to realistically perform to required standards.
- There appeared to be general support for the idea of organising information seminars and workshops in order to allow voluntary and community groups, and others, gain a fuller understanding of the demands of performance contracting.

- Underlying many of the specific issues identified during these interviews, and those previously carried out with representatives of the voluntary and community sector, is what can only be termed as a gap in understanding about the fundamental nature and function of the two 'sectors' (government and voluntary/community).

**Conclusions:**

- The findings from this study show that involvement in public service delivery does not suit every voluntary and community group and should only be entered into after serious consideration about the long term impacts on the organisation and the potential consequences for change and not as an easy source of funding.
- For many groups public service delivery and involvement in contracts has many benefits including increased stability and security, the potential for closer working relationships and greater influence with statutory funding agencies and the potential to create surplus income to devote to other core activities or contribute to financial reserves.
- It should be recognised that the continuance of core funding by government agencies over the past decades has had a profound effect in maintaining and developing the infrastructure and capacity of the voluntary and community sector.
- Some of the anomalies resulting from purchasers also being providers of services have manifested themselves in wide variations in local policy and procedures, double standards applied to statutory service providers, difficulties in gaining core or management costs by voluntary and community groups compared to other service providers and the influence of personalities in the contracting process.

**Recommendations:**

- **Information** — there is a very definite need for regular information exchange between government and the voluntary and community sector about procedures for contracting and commissioning of public services. Demystification of the whole process of procurement, competitive tendering and service delivery is needed as is a central source of information (ie, user friendly guides, frequently asked questions, case study examples, etc). The Central Procurement Directorate has a key role in this process.
- **Consortia** — within the sector there is also a clear need for an arena where information, experience and advice could be shared by those participating in service delivery or considering doing so in the future. There are also opportunities within such an arena to develop consortia or partnerships that could compete more effectively for major public service contracts.
- **Current funding mechanisms** — existing core grants and grant-aid should take on more of the aspects of service level agreements so that both parties are clear about what is expected and what is to be delivered. There should also be greater clarity about what constitutes a grant, contract and service level agreement.
- **Centralisation** — a move towards greater centralisation of government contracting of public services, but not a total one, could assist in the reduction of forces inhibiting the involvement of voluntary and community sector groups. There is also a clear rationale for health boards to be the main, but not exclusive, purchasers of social, health and personal services so that health and social services boards are removed from the anomalous and confusing position of being both purchasers and providers of services.
- **Training** — future training and development opportunities in the sector should focus on the skills to successfully access, negotiate, manage and administer large scale public service delivery contracts.

- **Analysis** — the application of ‘best value’ principles to an extreme which is often to the detriment of existing voluntary and community sector infrastructure and sustainability. Therefore a community impact analysis should be incorporated into decision making about the purchase of key public services.
- **Future policy** — a clear policy statement from government is required, specific to Northern Ireland, regarding the future involvement of the voluntary and community sector in public service delivery. A first stage in this process would be guidance and advice from the Task Force based on the findings of this research and the recommendations from the *Cross Cutting Review* (HM Treasury, 2002).

## 1. Introduction

*"But why is the voluntary sector being ignored when 6 out of 10 people agree that specialist not-for-profit organisations are better placed to deliver many of our public services than profit making business. If the Prime Minister is serious about making public services user-led – putting the consumer first – then he should turn first to the voluntary sector which has led the way in developing user-led services."*

(Stuart Etherington, Chief Executive NCVO, 22 October 2001).

The provision of public services by voluntary and community groups has a long history in the UK. Since the public sector reforms of the 1980s and 1990s, however, this has increased enormously with many of the larger charitable organisations in Northern Ireland owing their initial success to the development of the NHS internal market and the contracting out of many formerly public health and social care services. Service provision by the sector is today much wider than it was previously and covers a wide range of activities funded by many government departments and their associated agencies. The culmination of this relationship between the sector and government was the recent publication of a *Cross Cutting Review* (HM Treasury, 2002) report to promote the provision of public services by the voluntary and community sector and the creation of a fund to support this.

The evolution of this state of affairs is not, however, without its critics. Concerns have been expressed about the capacity of voluntary and community groups to retain their independent and critical voice when so dependent on government as a principal funding agency, and there are criticisms about the impact of service delivery in steering groups away from their core business in meeting the needs of communities and individuals.

As reported in *State of the Sector III* (NICVA, 2002) income generated through the services provided under contractual arrangements represents 13.6% of total earned annual income (£21.15 million). These statistics graphically demonstrate that this area is increasing in importance within the sector and is mirroring developments in the rest of the UK which occurred during the mid to late 1990s (HM Treasury, 2002). The contractual relationships that exist within the sector offer considerable benefits

to an organisation as it can plan the level of service it provides. Service provision under contract often means a substantial, permanent and paid workforce as well as a continual reinvestment in the infrastructure (NCVO, 2002). However, these relationships must also be viewed with caution as the loss of a contract can have widespread negative impacts. The fact that an organisation may drift from its primary purpose in order to successfully negotiate new contracts that could ultimately sustain its viability is another area of concern. The notion of 'mission drift' and the extent to which contractual relationships develop within the sector are obviously very important areas and will require close attention over the coming years.

As the evidence suggests from *State of the Sector III* if government plans to further increase the role of the voluntary and community sector in the delivery of public services, it presents a significant opportunity for the sector to increase its activities and earned income. In the ensuing competition with the private and public sectors, the voluntary and community sector can exploit its strength as a niche provider and its ability to provide value for money through subsidised pricing (for example through the use of volunteers, public donations, economies of scale, etc). The development of partnerships between voluntary and community organisations and other organisations to deliver services, should, in theory, diminish the dominance of the service purchaser found in a contractual relationship with a lone voluntary or community organisation. The threats associated with strategies based on earned income relate to the movement from an organisation's core aims (mission drift) and the loss of independence and distinctiveness. This also threatens the public's perception of charities as being in need or deserving of their financial support and, in turn, this may undermine the ability of charities to work at subsidised prices. For all of the above reasons the time is right to review the provision of public services by the voluntary and community sector in Northern Ireland, examine the impacts and consequences of this provision for all the stakeholders involved, and make recommendations to improve the future involvement of the sector in this growing area of development.

## 2. Methodology

Contracting of services is conducted by many government departments, agencies, non-departmental public bodies, other statutory bodies. The Central Procurement Directorate, part of the Department of Finance and Personnel, assists government departments and agencies in this and maintains a central database of many contracts. Because of this wide spread, and other issues regarding the differentiation of grants and contract, there is no central register of information recording data on voluntary and community sector service providers. The only other approximate source of this type of information is held on database by NICVA as a result of its' membership returns and regular updates from *State of the Sector* surveys of voluntary and community organisations. The data from these sources is thus fairly recent (2001 and 2002). Voluntary organisations were initially selected for this study from their returns to SectorNet/VCU census (taken from the NICVA database) on the basis that they stated they were involved in service delivery of any kind. This resulted in a sampling frame of 581 organisations that were then stratified by four overall income categories (£100,000 to £250,000, £250,000 to £500,000, £500,000 to £1 million and £1 million plus), the primary purpose of the organisation and its principal method of operation.

Organisations on these lists were then contacted by telephone and screened for whether they had any existing service level agreement (SLA) or contract with any government department/agency, non-departmental public body (NDPB), health board/trust, education and library board, district council or other statutory body. If they were so involved, they were then asked if they would participate in an interview about their experiences and views about their contract-based funding arrangements. A draft interview schedule was devised and pilot-tested with three organisations. The resulting amendments were used as a semi-structured interview schedule covering common areas of interest with the capacity to include other topics to emerge during the interview proper.

A total of 41 face-to-face in depth interviews were conducted together with ten telephone interviews that generated useful data. Interviews were largely conducted in the premises of the particular voluntary or community organisation.

A secondary focus of the project was to estimate the level of income from government sources expended on the voluntary and community sector in the form of contracts and/or service level agreements. During the course of the project we contacted all government departments and their agencies, non-departmental public bodies (NDPB), health and social services trusts, district councils, education and library boards and the Central Procurement Directorate (CPD) to request information held about funding of voluntary and community groups through contracts/service level agreements.

The general response to this request was less than expected, with several honourable exceptions. Statutory bodies have stated that the information is not easily accessible, there is confusion about the difference between a contract and a grant and that there are concerns about the confidentiality of this information or for other reasons. The Voluntary and Community Unit of the Department for Social Development then issued a Commissioning Note to all Departments formally requesting this information. This generated a lot of useful information which is reported in Section 6 with other comparative financial information. Again, however, due to the reasons outlined earlier, the short timescale involved and difficulties relating to organisational boundaries, the data returns were not as comprehensive as was initially envisaged. The data that was generated is compared to other estimates of the value of government contracting of services to the voluntary and community sector but there is no attempt to claim that they are completely accurate. The need for greater accuracy and recording of data related to voluntary and community sector organisations is made later in the report.

During the course of the study it became obvious that information and feedback from government sources on policy and procedures in relation the purchasing of services should be an essential element of the research. However, due to issues of timescale and perspective it was felt that a separate sub-study should be undertaken consisting of the findings from a series of in depth interviews conducted with key personnel involved in purchasing of services as well as a review of current government policies and procedures. The work for this sub-study is currently being undertaken and the findings are due to be written up in the near future. The two reports should be seen as complementary and part of a wider overview of the whole

## D r i f t i n g   O f f   C o u r s e ?

---

range of experiences and views in relation to the provision of public services by voluntary and community organisations.

### 3. Historical background to service delivery by the voluntary and community sector

*“The difficulty lies in striking the right balance between incorporating the voluntary sector as a means of delivering the state’s programmes in an efficient manner, while at the same time keeping it sufficiently independent for it to remain a credible source of legitimacy for a pluralist society.”*  
(Acheson, 1995, p 38)

#### Key Points

- Arrangements for the provision of services on behalf of government by the voluntary and community sector stretch back to the 1950s.
- The scale of service provision has grown enormously since the 1970s to the extent that nearly half of all new income for the top 500 charities between 2001 and 2002 in the UK came from government sources.
- The introduction of the NHS internal market and the development of care in the community policies greatly accelerated the involvement of voluntary and community sector groups in service provision.
- In Northern Ireland the *Programme for Government* (OFMDFM, 2002) and the *Partners for Change* (DSD, 2000) policy documents highlight the role of the sector as a provider of public services.
- The culmination of this relationship between the sector and government (in England and Wales at least) is the *Cross Cutting Review* document (HM Treasury, 2002) which explicitly lays out a programme for the promotion of service delivery by the sector as well as funding, some of which will be available in Northern Ireland.

The provision of services on behalf of government by the voluntary and community sector is not a new phenomenon with records of such arrangements in the UK stretching back to the 1950s (Knight, 1993). However, the scale of service provision has grown enormously since the 1970s to the extent that nearly half of all new income for the top 500 charities between 2001 and 2002 came from government sources (CAF, 2003). A common theme running through the major policy documents from government from the 1970s onwards is the need for and value of partnership which reflects an underlying belief that the statutory sector cannot and, in principle,

should not meet the increasing demand for services. A significant step occurred in 1974 with the reorganisation of Health and Personal Social Services and the publication by the Department of Health and Social Services of a circular on support for voluntary organisations (DHSS, 1974). As a result of financial and other constraints, it was recognised that the objectives of statutory services could not be met without the help of voluntary workers and organisations and the circular recommended a positive policy for the encouragement and development of voluntary effort.

The 1970s also saw the publication of the Wolfenden report (Wolfenden, 1978) on the future of voluntary organisations which made a number of recommendations for the sector and government. This led directly to a government review of its relationship with the voluntary and community sector by the Voluntary Services Unit (Home Office, 1978) with a separate section devoted to Northern Ireland. The 1990s saw further significant developments in the relationship between government and the sector with the publication of the *Efficiency Scrutiny of Government Funding* (Home Office, 1990) which again endorsed the great contribution made by the sector. It led to each government department drawing up action plans for implementing the report's recommendations in support of the sector. The *Efficiency Scrutiny* report (Home Office, 1990) was generally sympathetic to the voluntary sector but, as noted by one commentator, one of its most significant impacts was that "it saw the essence of the partnership between state and voluntary organisation as a relationship between contractor and sub-contractor" (Knight, 1993, p 40). This shift in the relationship between government and the sector is exemplified most clearly in the introduction of 'care in the community' policies and the development of an internal market within the NHS.

The Griffiths report, *Community Care: an Agenda for Action*, of 1987 was the stimulus for a raft of policy and legislative changes that introduced the new changes within the NHS. The Community Care Act of 1990 was the principal instrument of this change and was followed in Northern Ireland by *People First* (DHSS, 1990) and the *Development of A Regional Strategy for the Northern Ireland Health and Personal Social Services 1992-1997* (DHSS, 1993). These policy documents and the development of the NHS internal market endorsed the key role of voluntary and community groups in promoting social welfare, targeting social need and in creating

and maintaining healthy communities. The impact locally was significant and is reflected in the phenomenal growth during the 1980s of what were once small voluntary organisations into major providers of care services as funding was channelled into the sector in the form of contracts and service level agreements. Many of the current big names in social care in the Northern Ireland voluntary sector began their rise to become major providers and employers as a result of the marketisation of social and community care services.

The introduction of this new system of funding through contracts rather than grant aid was not without its critics particularly from within the voluntary sector:

*"The danger which voluntary organisations face is of becoming merely service-providers of a kind defined in advance by the statutory purchaser."*

*"There will be no room for advocacy, campaigning, or innovative work because no one will give contracts to pursue these."* (Excerpts from Knight, 1993, p 45)

As will be shown later, this fear of loss of independence and the ability to campaign and criticise government policies is a recurring theme from within the sector. Central to this new legislation was the market which treated health and social care provision as a matter of the allocation of resources. The recently established health and social services trusts (HSST) became the new purchasers of services from private and voluntary sector providers as well as, increasingly, themselves through quasi-independent providers established by the various Trusts. Thus the nature of long established relationships changed dramatically whereby those who received public services became consumers rather than customers, the Health and Social Services Trusts, with service providers stuck in the middle. This relationship between DHSS and the voluntary and community sector was further strengthened by the 1993 *Strategy for the Support of the Voluntary Sector and Community Development* (DHSS, 1993) which aimed to promote and support an independent, vigorous and cost effective voluntary sector. Clearly underlying this Strategy was an attempt by government to ensure that maximum benefit was obtained from the resources they put into the sector and a desire to ensure greater accountability for these resources.

At a wider level, relationships were developing rapidly as well with the publication in 1998 of the *Compact between Government and the Voluntary and Community Sector in Northern Ireland – Building Real Partnerships*. This set out the respective roles of both sectors, which were seen as complementary, interdependent and mutually supportive and further stated that there were shared values, principles and commitments that would underpin the further development of the relationship between both sectors. Underpinning these aspirations was the recognition that advocacy and campaigning on behalf of individuals, groups and causes is a distinctive characteristic of the sector that should be acknowledged in order to support the community development process. In April 2000, an inter-departmental group published a *Consultation Document on Funding for the Voluntary and Community Sector*. This report, usually referred to as the Harbison Report, made a number of key recommendations and noted that it was important to achieve proper strategic management of the limited resources delivered through the voluntary and community sector. The series of recommendations generated by the Report outlined a framework for a more co-ordinated and strategic approach to the funding of the voluntary and community sector. One of the key recommendations of the Harbison Report was to establish a Task Force to consider the further diversification of funding sources for the sector. This was established in 2003 with a wide remit to commission research and make recommendations about the future development of the voluntary and community sector.

Possibly the pinnacle of this 'new' relationship with the voluntary and community sector is the Northern Ireland Executive's various Programmes for Government the latest being for the period 2002-2005 (OFMDFM, 2002). These policy documents have lauded the key role of the sector and the importance of involving it in policies and programmes aimed at strengthening community well-being. The Programmes included clear strategies by each government department for the support of the sector, a strengthening of the position of the Voluntary Activity Unit (now Voluntary and Community Unit), and plans for devising a new government funding strategy for the sector. A more practical step in the evolution of the relationship was the establishment of the Joint Government/Voluntary and Community Sector Forum in October 1998. This is a formal mechanism for promoting dialogue between government and the sector. This development was closely followed by a pioneering document *Partners for Change. Government's Strategy for Support of the Voluntary*

*and Community Sector 2001-2004* (DSD, 2000). This document, as stated by the then Parliamentary Under-Secretary for State, Des Browne, " ... *provides a cross-departmental mechanism to strengthen these relationships whilst building new ones, particularly with smaller community groups ... departments give a commitment to resource and work with the voluntary and community sector not just in the delivery of services, but in the development and implementation of policy.*" Like the *Compact* before it, each department made specific time-bound commitments to support the sector and there were several key Strategic Priorities specific to the delivery of services by voluntary and community groups:

**SP4** *To recognise and promote the value of the voluntary and community sector as a key partner in contributing to the achievement of the government's objectives.*

**SP12** *To work in partnership with the sector to assess the potential for the wider involvement of the voluntary and community sector in the delivery of services.*

These two developments, *Partners for Change* and the Task Force, represent the latest stage in defining the relationship between government and the voluntary sector in Northern Ireland and the summation of more than 30 years development of that relationship. As such they are both being keenly watched, and evaluated, by all stakeholders. An evaluation of the progress in *Partners for Change* departmental objectives is currently being undertaken by Price Waterhouse Coopers. This project will report on the current situation regarding provision of government services by voluntary and community organisations compared to the aspirations contained in *Partners for Change* and other key policy documents.

#### 4. Previous research on contracting and service level agreements

##### Key points

- A report by the Social Services Inspectorate in 1998 of 106 voluntary sector organisations estimated that they provided services to 90,000 families and over 326,000 individuals, equivalent to almost one in three of the Northern Ireland population.
- The report concluded that voluntary organisations derived a wide range of positive benefits from their contractual relationship with government but that there were clearly areas where improvements needed to be made.
- A principal recommendation of this report, never acted upon, was that there was a need to consider whether health boards should act as direct purchasers of voluntary sector services rather than health and social services trusts.
- The research evidence is quite mixed as to whether involvement in service delivery caused 'mission drift' to occur in voluntary and community groups. Most of the major providers of services in the sector have grown as a direct result of their involvement in public service delivery.
- There is some evidence to suggest that increased government funding of service delivery is resulting in a reduced pot of money available for generic community development activities.
- The claim that increased service delivery by the sector is contributing to a 'blurring of boundaries' between sectors seems to be related to a greater extent to more widespread changes concerning how the sector defines itself.
- The increased involvement by the sector in service delivery does appear to be leading to increased professionalism, in management skills at least, but there are indications that this is at the expense of voluntarism and the management structure of voluntary and community organisations.
- The difficulties experienced by voluntary and community groups in recouping core or management costs in service delivery contracts are a continuing problem despite the fact that there is no real basis in government accounting practice for why this should happen.

There is a wide range of studies, reports and policy documents concerning service delivery by the voluntary and community sector, much of it recent in origin. Because

of this range of literature it was felt to be more appropriate to outline only the key findings and themes of immediate relevance to the current situation in Northern Ireland.

A good starting point for this exercise is one of the only studies to focus on Northern Ireland, a fairly recent report from the Social Service Inspectorate (DHSS, 1998) that focused specifically on voluntary organisations' service delivery on behalf of the Department of Health and Social Services (now DHSSPS-NI). What is perhaps most interesting is the key issues it identifies in the contracting relationship between government and the voluntary sector and the fact that, in many ways, these same issues are still very current. The study directly surveyed 106 organisations involved in providing services in the social and community care area. A measure of the impact of just these organisations in the study is the fact that they provided services to a total of at least 90,000 families and over 326,000 individuals, equivalent to one in three people of the population of Northern Ireland. They also reported that they have a total of 21,956 volunteers who give more than 2.5 million hours with an economic value of some £8.3 million.

The study found that there is *"confusion about the status of core grants vis a vis contracting and the need for the Department to take a proactive approach to clarifying this and other contracting issues"* with groups reporting that they suffered from *"the over-demands of Departments and other funding bodies for monitoring information."* (Ibid p 37). Voluntary sector providers stated that some of the key difficulties they faced in the contractual relationship were:

- A continuing lack of understanding on the part of key people of government policy in relation to the sector and the need for contract and service agreements to preserve the character of the sector.
- Difficulties for the sector in negotiating across a number of trusts where different processes and standards apply and where there is disparity between trusts.
- The non-equitable competition between trust's in-house services and voluntary organisations when both are bidding for the same contract. In light of this the need to consider whether boards should act as direct purchasers of voluntary sector services.

- The findings indicated a degree of concern that the ability of voluntary organisations to plan strategically and to address need in innovative ways may well have been eroded to some extent by the structures that were meant to strengthen their contribution to health and social welfare.

It will be seen later how these issues are still current for many voluntary and community sector service providers with no real progress achieved towards resolving them or meeting some of the recommendations of this study. Despite these criticisms, voluntary organisations had many positive things to say about their experience of service delivery. They stressed the importance of the security and contribution that contractual funding allowed, they also valued their direct relationships with government and commented favourably on the enabling role of the (then) Department of Health and Social Security. They also requested that, due to difficulties experienced across the range of the health and social service trusts, the department should take a more proactive stance on contracting issues.

#### **4.1    Impact on the independence of the sector**

With the advent of care in the community policies and the increased use of contractual arrangements during the 1980s and 1990s many in the voluntary and community sector raised concerns about the impact on their independence from government and reliance on funding. These concerns continue to the present day with Lord Dahrendorff (CAF, 2001), for example, devising the term 'quago' or quasi-governmental organisation to refer to voluntary and community sector organisations which were so involved in the delivery of services and reliant on government contracts that they were indistinguishable from a government agency.

*"Some charities are very big indeed ... Their bigness alone propels them into the public realm as important actors which in some ways compete with government. They become, as it were Quagos, quasi-governmental organisations. Other examples could be given, other stories told. They all add up to the conclusion that a great deal of charitable activity is not – no longer perhaps – independent of government."*  
(*Challenges to the Voluntary Sector*, Arnold Goodman Lecture, 17 July 2001, CAF)

The term 'mission drift' has also been coined to reflect a situation whereby voluntary and community sector organisations tailor services to available funding rather than

the needs of service users. Many organisations argue that this has come about due to historical shortfalls in state funding combined with uneven and regulatory playing fields (John Knight, Leonard Cheshire, NCVO conference 2002). Indeed this was the initial hypothesis for this research project and an underlying theme throughout all of the interviews with representatives from the sector. Without pre-empting the presentation of these results, it appears from the literature at least that the findings in relation to lack of independence as a result of increased reliance on contracts and service level agreements are mixed.

A study by the Policy Research Institute (2000) did find that contracting can compromise the valuable core functions of voluntary and community sector organisations and their role as pressure groups. However, the impact was varied and dependent on the size of the organisation as, generally, only the largest were significantly involved in service delivery. This situation has led to fears about a 'two-tier' sector with smaller, usually community-based organisations, being left behind while larger groups soak up all the available government funding in the form of grants and service level agreements. This situation is only likely to increase as a result of the continued reduction in funding for the core activities of voluntary and community groups (Policy Research Institute, 2000, p 35). Other fears relate to the absence of generic funding for local community development reflecting what some see as a government move away from this to using the sector as a means to deliver what is a very linear public service agenda, and not really about supporting local community groups as key participants in strengthening local communities (Burrows, August 2003, New Statesman, p 22).

#### **4.2    Blurring of the boundaries?**

Underlying these fears is a deep concern about what has been referred to as a 'blurring of the boundaries' such that, as a result of its major involvement in delivery of government services, the voluntary and community sector begins to lose its distinctive ethos and becomes indistinguishable from other statutory or even private sector bodies. This may cause problems in terms of how the public view organisations which often have a strong tradition of self-reliance. Also as a service provider for central or local government some organisations have found it more

difficult to criticise government policy creating a less effective voice on behalf of the community (NCVO, 2002).

One solution to this problem, put forward by Knight (1993) is for those who want to be big and deliver services to follow the contracting route and the inevitable compromises that come with this approach. The other organisations should elect to remain voluntary and thus safeguard their independence and freedom. This writer sees a fundamental dichotomy between contracting and the freedom of the voluntary sector and proposes even stronger tactics for future funding, "*In taking the latter course, voluntary organisations get back their freedom, In particular, the freedom from dependence on grants or contracts and the freedom to fulfil a democratic function instead. For those philanthropic institutions that give money away, the answer may be to support the democracy seekers, not the contractors.*" (Ibid, p 284).

This view is supported by work from the US where Rosenman (2000) reports on changes in the non-profit sector whereby increasing numbers of organisations will become more and more commercial (businesses in fact) with the remainder of the sector unable or unwilling to become involved in activities that compromise their independence from funders.

#### **4.3    Impact on voluntarism – increased professionalism**

Some studies appear to indicate that involvement in delivery of services can also have other negative impacts on voluntarism and the management of voluntary and community organisations. One study found that three-quarters of organisations involved in contracts report that they are increasingly led in practice by their paid workers rather than by management committees (Russell & Scott, 1997). As the unpaid voluntary management committee is usually seen as a defining characteristic of a voluntary organisation, this trend therefore raises fundamental questions about governance and the status of voluntarism in contracting organisations. This study also noted that contracts involved a 'profound' increase in the workload of voluntary management committees with more than 80% of chief officers reporting that the workload and level of responsibility of these members had increased significantly. Four-fifths of chief officers also reported that contracting called for new skills on the

part of management committee members, most frequently in financial management, business planning and development. This increased professionalism of the sector, largely as a result of greater involvement in contracts and service delivery, is noted in many reports principally as a beneficial impact on the sector to be welcomed.

However, it is clear from the research that there is also a downside that may have long lasting effects on the capacity of the sector to retain a distinctive voluntary ethos. Despite the findings of these studies (and others) there is no consistent or conclusive evidence from original research that either 'mission drift' or 'blurred boundaries' between the sectors are an automatic consequence of a greater involvement in delivery of public services and contracting. It is difficult to disentangle these factors from the myriad of other significant changes that have impinged on the rapid evolution of the voluntary and community sector over the past couple of decades.

The claims in the literature that the voluntary and community sector has become more professional are largely based on anecdotal evidence rather than original research. The *State of the Sector III* (2002) study, conducted by NICVA with 860 respondents from the sector, is one of the only studies that directly examined this issue. It found that over 67% of those surveyed felt that the sector had become more professional in nature and a similar proportion expressed the view that the provision of accredited management training would strengthen the sector. The voluntary sector has the highest proportion of highly qualified workers when compared with the private and public sectors. Other studies (VSNT0, 2000) found that many organisations in the sector felt that there were gaps in planning and forward thinking skills and that staff management was a weakness. The difficulty experienced in recruiting experienced managers is also compounded by the fact that the sector increasingly has to compete with other sectors for the best management talent. There has undoubtedly been an increase in the provision of management and strategic skills training for the voluntary sector and this has also focused on members of management committees (Volunteer Development Agency, 2003).

However, there does seem to be a direct correlation being made between professionalism and only management skills in the sector and not the wide range of skills that constitute the direct frontline work of most voluntary and community groups. It must be recognised that management, although vital to the success of

most organisations, is a business activity and not the core function of voluntary and community groups. The recent proliferation of calls for increased management skills and the development of management training courses from within the sector do, however, seem to undermine this view somewhat.

#### **4.4   Core costs and added value**

The difficulties experienced by many contracting voluntary and community organizations in claiming back core or management costs from statutory funders occupy a central place in the current *Cross Cutting Review on Service Delivery*. The Review also highlights the practice of many funders who end-load payments to voluntary and community sector groups which are left carrying all the risk in establishing new projects. It concludes that there is nothing in any government or Treasury guidelines, including the Green Book, which should discourage funders from allowing a reasonable level of upfront payment to any service provider. It also states that it is the duty of every potential contractor to ensure that the cost of contracts for services reflects the full cost of delivery, including any part of the overhead costs.

This view is mirrored by ACEVO (ACEVO, 2002) which has recently produced guidelines to enable voluntary and community groups to calculate the true costs of service provision in order to improve the situation whereby many are unable to do so and end up carrying some of these hidden costs. Despite these views, there is quite a lot of evidence that on the ground organisations from the sector still face difficulties justifying these costs to statutory sector purchasers (Policy Research Institute, 2000; SSI, 1998) with one significant commentator stating that *“Organisations are already walking away from some projects because of some funders unwillingness to pay a sensible level of overheads, and this will only increase without such a shift”* (ACEVO, 2002, p 22). One of the reasons for this, paradoxically, may be an attitude that one of the added-value elements of service provision by the voluntary and community sector is that they can provide services cheaper than other types of providers through the use of volunteers for example.

This subject of the added value of the sector is covered extensively in the *Cross Cutting Review* which concludes that the case for this is not very clear-cut but that there are some circumstances where voluntary and community sector groups do bring elements to service delivery that others could not. The research evidence on

the value added by the sector is mixed. For example Leat (1995) examined six broad groups of suggested differences between non-profit and for-profit organisations including their goals and values, financial strategy, structure, staffing and skills. The study concluded that it was difficult to differentiate between the two types of organisations on these dimensions.

Later studies show that while not inherently better than other providers, voluntary and community organisations may yet have a comparative advantage in relation to other sectors in certain kinds of policy environments and to certain types of groups particularly the most socially excluded. Despite the lack of research evidence, linked surely to the inability to frame the question appropriately and/or quantify the seemingly abstract, there is general agreement that there are certain activities that the voluntary and community sector does better than other sectors and certain groups that they can reach more easily. However, an NCVO (NCVO, 2002) report fires a warning shot across the bows of the sector when it comes to service delivery. The report clearly sees that one of the ways in which the sector can add value is through the involvement of service users and the wider community as volunteers, but *“voluntary organisations will need to maintain clarity about the added value they can bring to service delivery. In negotiating contracts it will be vital that every effort is made to recognise, preserve and, where possible, enhance the added value that voluntary organisations can bring to public service delivery.”*

A further note of warning to the voluntary and community sector about maintaining the edge in service delivery and value addition is the fact that some statutory providers have increasingly begun to incorporate volunteers and service users as an element in their service provision (ACEVO, 2002).

**5. Government expenditure on service delivery by the voluntary and community sector**

*"Information is not routinely collected on the totality of public funding to the voluntary and community sector, nor can all the various grants from Government, NDPBs, and other public bodies, be readily identified. Duplication and overlap are evidenced by the extent of multiple funding".*  
(NIAO, 2002)

The difficulties inherent in acquiring accurate information on the level of funding provided by government sources to the sector in the form of contracts and service level agreements are hinted at by the lack of response generated by the Commissioning Note issued by the Voluntary and Community Unit. It is not that the information is unavailable or that there is any reluctance by statutory funders to release this data unless it concerns confidential business information. Quite apart from the logistical problems resulting from a lack of clarity about what is a contract or a grant, there are other issues that make the process very difficult including the manner of recording this data, the influence of intermediate funding agencies, complicated funding and recording trails and the potential legal and professional constraints imposed by competitive tendering amongst others. Indeed, the situation is as complicated when dealing directly with the recipients of this funding as many voluntary and community organisations are not sure themselves what form of funding they have received and, in many cases, are not overly concerned so long as they have the funding. The creation of a central database on funding to the sector across government would resolve many of these difficulties and mean that comprehensive, accurate and comparable information would be available to all.

A similar call was made by the HM Treasury *Cross Cutting Review* where it was recommended that *"Government should establish a unified information system for data collection and analysis on government funding for the voluntary and community sector"*. The Active Communities Unit is leading on a cross-departmental initiative to put in place a unified information system by April 2006 with the Voluntary and Community Unit beginning with the establishment of a database of funding to the sector. A pilot system for recording information on direct funding from government to the voluntary and community sector has been developed and is currently being

evaluated within DSD and DHSSPS with plans to roll out the system to other government departments by March 2004 (Taskforce Briefing note, 2002). However, it will be important to extend it to include information on funding to the sector from local councils, health and social service trusts, etc, if the database is to be an effective tool in providing information on the totality of public funding to the voluntary and community sector. The Task Force should have an impact on supporting and accelerating these initiatives to improve the situation. However, in the meantime, what remains is a best guess scenario using largely incomplete data from a range of sources.

Before we begin to get into looking at estimates of government funding of the sector through contracts and service level agreements, it is worth looking at the range and impact of this source of funding. The Social Services Inspectorate report (DHSS, 1998) mentioned earlier stated that the impact of just the organisations (106) included in the study was the fact that they provided services to a total of at least 90,000 families and over 326,000 individuals, equivalent to one in three people of the population of Northern Ireland. They also reported that they have a total of 21,956 volunteers who give more than 2.5 million hours with an economic value of some £8.3 million. A second indication of the impact of this funding on the sector is shown by data provided by the voluntary and community organisations included in this study (see Appendix 1, Table 1, for full details). Not all those involved provided data but from those that did so the results show that contracts and service level agreements were worth more than £1.7 million and was directly responsible for the employment of 273 staff and 143 volunteers. Furthermore, for several of these organisations funding from contracting and service level agreements accounted for more than 80% of their total income. Comparative data from the UK shows that earned income from government sources is a substantial contributor to the voluntary and community sector amounting to **16%** of a total income in 2001 of **£15,580 million** (NCVO, 2002).

The principal source of information on the income of the sector in Northern Ireland is the *State of the Sector III* (NICVA, 2002) study carried out by NICVA. The data from this survey is based on returns and financial accounts from a comprehensive sample of voluntary and community sector organisations. The figures from this survey should be interpreted in the light of the difficulties, outlined earlier, of determining

whether an income source is a grant or a contract even when the organisation is asked specifically about what form of funding they have received. NICVA estimated that in 2001 the total amount of income from government sources to the voluntary sector in the form of contracts and service level agreements was **£18.89 million**. This represents **7.7%** of the total income within the sector which is nearly half the proportion reported in the NCVO study for the rest of the UK.

As was stated in the methodology section there were two approaches made by this study to collect data on income from government departments and their associated agencies, health trusts and district councils. Direct requests were made by NICVA to all these statutory bodies followed by a Commissioning Note issued by the Voluntary and Community Unit when it became obvious that the response was less than was expected. The principal elements of the data used to estimate overall income from contracts and service level agreements come from information resulting from these two approaches. However, the data was also supplemented by a recent estimate prepared for the Task Force (Briefing Note to Task Force, 2002) when it was obvious that this was a better source than the information obtained by NICVA. The overall total estimate produced by the Taskforce for funding of contracts and service level agreements was **£14,180,990** excluding that from health and social services trusts. The final estimate produced through these three sources of information is shown in Table 1 below with the source of information for each figure indicated. This results in an overall estimate of government funding for services by the voluntary and community sector of **£23,498,884**.

**Table 1: Estimate of contract/service delivery income from government**

Funder	Amount	Source
OFMDFM	£57,850	Commissioning note
DCAL	£7,740	Commissioning note
DE	£9,000	Commissioning note
NIO	£883,000	Commissioning note
DEL	£12,760,252	Task Force
DARD	£1,055	Task Force
DRD	£526,030	Task Force
DHSSPS	£40,000	Task Force
Causeway Trust	£437,722	HSST
Newry and Mourne	£1,753,547	HSST
North and West Belfast	£5,500,000	HSST
Armagh and Dungannon	£1,088,088	HSST
District Councils	£434,600	Councils
<b>Total</b>	<b>£23,498,884</b>	

The first note about the figures in this table is the information for North and West Belfast HSST which supplied the data directly to NICVA. Despite several follow up queries and subsequent replies from the trust that grant income is included in this figure it still remains very high compared to other trusts. However it was decided to use this figure as it would account for at least some of the funding information missing from the remaining trusts. Informal contact with the other trusts in fact leads us to believe that the total for funding by HSSTs could be substantially higher than that included in the table bringing the overall total figure up to nearly £28 million. We are also aware that there is no information available from education and library boards (who were unable to supply us with data) as well as several NDPB's such as Water and Environment Service, other smaller government agencies and the remainder of the district councils (nine out of the 26 responded). The final figure as far as estimates go then should be in the order of somewhere between the £23.5 million listed in Table 1 and upwards to about £30 million. Again it must be stressed

that these figures are all estimates based on a range of sources with no real benchmark against which to test them.

In some ways the estimate produced here is supported by the recent data produced by the Voluntary and Community Unit if the figure estimated by this study for HSST funding (£8,779,357) and District Councils (£434,600) is added to their estimate. The resulting total is £23,394,947 which is remarkably close to the figure produced here and seems to indicate that the final figure, if and when a cross-government funding database is produced, will not be too far away from this estimate. This does not amount to a huge amount of money in the grand scheme of government funding of the sector. This is estimated at between £150-£250 million overall depending on the source of the information. However, what must be remembered again, is the significant impact this funding makes not just within the sector but on the lives of the individuals and communities who are in receipt of their services.

## 6.      **Reasons to be cheerful? Benefits of contracts and service delivery**

### **Key findings:**

- For many organisations involved in public service delivery, contracts enable them to generate a surplus which can be used to fund other core activities or even contribute to (or create in some cases) their reserve funds.
- The majority of voluntary and community groups did not feel that their involvement in service delivery affected their ability to speak out independently or criticise statutory funders.
- One indication of the potential benefits that may accrue from service delivery is the number of voluntary and community organisations wishing they could become involved in such activities.
- In contrast to grant aid, service delivery agreements and contracts make the relationship between the parties involved much clearer with less room for confusion and disagreement.
- Involvement in service delivery generally seems to increase the general financial stability and security experienced by voluntary and community organisations.
- Another positive aspect of service delivery is the opportunity it gave groups to develop closer working relationships with funders and statutory organisations.
- A consistent theme to emerge was the increasing professionalism that resulted from voluntary and community groups having to deliver a service to meet clearly specified contractual terms.
- Many organisations did not feel that their involvement in public service delivery had resulted in mission drift in any way. However many of these organisations had grown to their present size as a direct result of their delivery of public services.
- For many organisations involved in service delivery blurring of the boundaries between the sectors, or whether they are seen as a voluntary or community group, is not an issue as long as they have a clear value base from which they operate.

In the following section key findings from the fieldwork are illustrated using direct quotations from interviews. In each case one or two quotations are used in the text but to reinforce the range of views from respondents in support of a particular point several more relevant direct quotes are included in Appendix 2.

*"From the voluntary organisation's point of view the main advantages are seen as secure funding to serve clients' needs, better quality of service, release of charitable funds for other purposes and enhanced status and increased access to governmental decision making." (Gutch, 1992, p 15)*

It is an easy, though cowardly option from within the voluntary sector to view all transactions with government as potentially negative and usually involving compromise by a voluntary and community sector organisation. However, a strand that runs throughout the existing literature, and is reflected in many of the interviews, clearly identifies a range of positive outcomes for the sector in the move towards greater service provision. The apparent increase in professionalism within the sector has already been covered but it is in the funding relationship between the two parties that the most beneficial aspects of the contracting relationship can be seen. Key to this is the contrast between grant aid and contracting, and the way in which funding can be utilised by a voluntary or community sector organisation. With grant aid there is no capacity to generate a surplus to be used by the organisation as, usually, if the money is not spent it returns to the funder (although there are signs that this situation is changing). With contracts or service level agreements, however, there is no requirement that money not directly used to provide a service must be returned to a funder as long as they are happy about the quality of service provided. Thus, organisations are able to use surplus income to fund other core activities or even contribute to their reserve funds, a situation almost unheard of in the sector in Northern Ireland.

*"We have a much greater level of independence as a result of the contracts and are free to implement in the way we want. As long as the targets are achieved the purchasers are happy." (Housing organisation)*

*"Many organisations feel that they don't have a lot of power over the purchaser within contracts. However, I think that due to contracts we have*

*more power than we have had before and are breaking new ground all the time – in many ways we are in control of the [Trust]!” (Youth residential service)*

The ultimate acknowledgement of the potential benefits that accrue to voluntary or community groups from contracts and service delivery was the number of organisations interviewed that wished that they were able to increase their involvement in such activities. Indeed, one large voluntary organisation contacted was at a loss to understand why they couldn't access such funding sources despite numerous attempts and much lobbying.

### **6.1 Clarity of contracts**

A secondary recognition of the benefits of a contract compared to a grant focused on the fact that with the former a clear agreement was formed as to the actual services to be provided by the voluntary/community organisation. Several large organisations were critical of the lack of clarity around grant aid particularly when it concerned the so-called 'core grant' (core funding) given by government departments to key voluntary sector organisations. One respondent was of the opinion that such a lack of clarity about what was expected by departments from a core grant was purposeful in that it allowed '*plausible deniability*' by the funder if criticism was levelled at any stage about the provision or quality of a service. That is, the relevant department could plausibly claim that they funded 'X' voluntary or community organisation to provide this service and thus were not ultimately responsible for any shortcomings. While this was not a widespread opinion there was concern expressed by several organisations and a view that they would be much happier if 'core grants' had more of the characteristics of a contract or service level agreement in terms of clear understanding by both stakeholders about what was expected to be delivered and how it could be measured and documented:

*“There is a general feeling that they [Trusts/departments] do not want to push too much towards clearer contracts because they are the hand that feed us and the arrangement is OK as it stands. It is a very loose arrangement and you don't want to mess with it too much but it is slightly patronising as well.”*  
(Children's organisation)

*"It seems to be the case that we set the standards ourselves and we are trying to move it more into clearer contracts as there is greater clarity and less room for confusion. This point applies to our core grant as well as there is a lot of room for confusion and misunderstanding."* (Children's charity)

No doubt the lack of clarity and room for manoeuvre inherent in many core grants suit some voluntary and community sector groups but there seems to be no doubt that many would be much happier if this arrangement was more formalised.

Everybody involved in receiving core grants is clear about the fact that it is in essence paid out for service provision of one sort or another, even if in many cases it has historically been linked to particular staff posts in an organisation. But there is support for the idea that greater satisfaction, equity and benefit would accrue to all parties if the basic principals of service level agreements were incorporated into this form of government grant aid.

## **6.2 Stability and security**

An increase in stability and security was mentioned by many groups from the sector when discussing contracts and service level agreements as they are generally for a period of two to three years. Annual reviews, together with ongoing monitoring, are usually a feature of the contract but this does not seem to cause difficulties for most organisations.

*"Three year contracts means that we are able to maintain a group of highly skilled staff allied to a strong value base ... We have not had to lay off any staff in five years."* (Adult education provider)

*"In the future I predict a steady increase in the proportion of our income which comes from contracting ... If [we] are to become more sustainable in the future we are going to have to move more and more towards contracting."* (Cross-community organisation)

Indeed there were several comments forthcoming about the lack of ongoing monitoring and the apparently laissez faire attitude displayed by some government

agencies, particularly health and social services trusts, once the initial contract had been agreed.

*"The contract was originally for one year but it has now been extended until March 2006. The trust is happy with the service but I don't know how as they know absolutely nothing about the service."* (Community counselling group)

### **6.3 Closer working relationships**

Another positive spin-off as a result of service delivery mentioned by several organisations is the opportunity it gave them to develop closer working relationships with funders and statutory organisations. Those organisations that mentioned this factor clearly felt a sense that they were more involved in decision-making and had a greater ability to influence policy and practice in their area of working. This seems to be particularly the case at a local level where close working relationships can be established that can have a long-term impact on the success and progress of a voluntary and community organisation.

*"When you are involved [in contracts] you always have a voice to lobby more effectively."* (Childcare project)

*"I feel that contracting has had an overall beneficial effect on the organisation...also because we are so close to the Trusts the feeling is that the over-riding issue is that there is a mutual interest in quality service delivery."* (Mental health charity)

### **6.4 Increased professionalism**

A consistent theme to emerge from many of the interviews was the increase in professionalism that resulted from having to deliver a service to meet a clearly specified contract. The changes that ensued within a voluntary or community organisation extended from staff and volunteers, management committees and the internal policies and procedures required in servicing a contract. Several interviewees compared the changes to being more 'business-like' in their practice and having to

incorporate new management and strategic planning skills within a management team.

*"The main effects of the organisation entering into contracts include the fact that we have had to act more professionally and we also have to be seen to be creating value for money."* (Belfast activity centre)

*"We have recently changed our senior management team to reflect the increased professionalism required by current financial and funding practices."* (Children's charity)

## **6.5 Mission drift?**

The original issue for voluntary and community organisations that was the spur for this research project was that of 'mission drift' which was defined as the loss of focus as a result of responding to funding streams rather than the core business of the organisation. A secondary impact of contracting and service delivery, identified in the literature, was the blurring of boundaries whereby the essential features of voluntary and community organisations which made them distinct, were gradually being eroded so that they were becoming indistinguishable from either the statutory or private sector service providers. In relation to the mission drift thesis, the interviews showed that there are a higher proportion of organisations which either did not feel that they had suffered from this effect or considered that the concept was irrelevant to their circumstances. Contributing to this finding is the fact that many voluntary organisations which provide the majority of public services today owe their current size and success to policies, such as care in the community, which originally introduced and sponsored contracts and service level agreements.

*"There is no evidence of mission drift within the organisation as the contracts and funding allow us to provide services within the core aims of the organisation."* (Care charity)

*"Mission drift is not something that I feel affects us greatly although I recognise that there is a danger in becoming complacent about this. Contracting has nearly always been part of our culture so we are very used to*

*it and the competitive aspect seems to have calmed down a bit .”* (Mental health charity)

The responses as regards so-called blurring of the boundaries are a bit more mixed. There did seem to be a greater consensus that this issue was not really relevant anymore to the extent that, when it comes to service delivery, it was almost accepted that this was the way of the future in the sector generally.

*“[We] are not overly concerned about what the organisation is called in terms of voluntary/community, etc, we work from our value base which drives all our activities.”* (Adult education provider)

*“The bad thing is that the management committee comes from the local community and they see contracts as a reduction in the community ethos. I don’t see this as a problem as contracts and demands from social services highlights the need in the area.”* (Family and community group)

These comments are perhaps very perceptive in stating that generally many of the boundaries around which the voluntary and community sector have to operate have become very blurred in recent years. Overall the consensus does appear to be that voluntary and community sector organisations have largely not been affected by mission drift although, as we will see in the next section, some have and are very aware of the consequences. There are also undoubtedly many advantages to be gained by groups in the sector becoming involved in service delivery highlighted by the number that wish to increase their share of this ‘market’ and the complaints of those which cannot gain a foothold in it. However, as the next section illustrates there are also downsides within contracting and service delivery for voluntary and community groups.

**7. The dark side of the moon? Difficulties encountered as a result of involvement in service delivery**

**Key findings:**

- Some groups clearly felt that their involvement in service delivery had a negative impact on their independence and gave examples of when speaking out had adversely impacted on their capacity to attract future funding.
- For some, particularly smaller groups, there was some experience of a shift away from their core ethos as a result of public service delivery expressed in terms of them becoming too much like commercial organisations or too driven by the demand of contracts.
- For many organisations new to the contracting culture there were continuing problems accessing funding for core or management costs and a consequent feeling that they were subsidising public service delivery.
- There were also criticisms of double standards operating when there was competition with private and statutory sector providers. Many groups also felt that there was undue variation in practice between similar statutory sector funders and individual relationships had too much sway in access to funding for service delivery.
- There were serious criticisms of the extreme competitive approach to service delivery operated by some government funders and the potentially negative impact this has had on local community infrastructures that had taken decades to establish.
- Several voluntary and community organisations felt that they were being expected to carry too much of the risk in setting up new programmes of service delivery within very tight deadlines.

Reviewing the literature in relation to the initial introduction of large scale contracting and service delivery it would be hard not to imagine that it signalled the death knell for the voluntary and community sector. Loss of independence, inability to criticise government funders, complete takeover of the sector by the state, conversion into quasi-governmental organisations, subsidisation of state provision. These were common outcomes predicted if the sector were to become inextricably tied to statutory service provision. Although, as we have seen, the reality is far from

these simplistic scenarios with many organisations benefiting enormously, there are negative impacts being experienced by groups in the sector. These impacts are not sufficient to completely hinder or hobble those organisations involved but they do place limits on their ability to operate freely as independent organisations and can have deleterious consequences for their core activities in meeting the needs of communities as well as their voluntary ethos and governance. Some of these factors are also sufficient to place voluntary and community organisations at a competitive disadvantage in comparison to their statutory and private sector competitors.

### **7.1    Loss of independence**

Most of the organisations interviewed as part of this research did not feel that they were constrained in any way as a result of their participation in service delivery in their ability to act as watchdogs and criticise government policies and actions. Despite this, several groups expressed the view that at one level or another they were either hesitant about doing so or they could give actual examples when this had occurred. This was found to be much more the case in relation to government departments rather than local statutory agencies.

*“The difficulty with relying on contracts is that you feel you cannot be critical of those funding you. We used to be a vociferous, campaigning organisation but not anymore, it’s just not worth it. You don’t stand up and complain because in my experience you won’t be listened to and don’t want to be seen as a troublemaker.”* (Community training organisation)

*“The council denied funding from another source as we had fallen out with them the month before.”* (Community trust)

It may appear from some of the interview excerpts that the perception of control by statutory funders is an illusion and reflects more on the lack of confidence within the voluntary organisation in maintaining its attitude of independence. However, several cases were cited of actual repercussions (increased and unannounced monitoring, difficulties in renewing funding, lack of access to new funds, etc) that ensued as a result of speaking out or continuing to act in an independent manner. As with most situations of conflict or difficulties in partnership the perception created of unequal

treatment can often create greater damage in the long run than the actual event did initially. This is particularly true of the voluntary and community sector which relies hugely on informal networks and word of mouth to spread news and information.

Linked to this apparent loss of independence and control was the feeling by some organisations that involvement in contracting had inevitably dragged them away from their central mission and ability to deal with local needs and situations. The absence of core funding for these activities was cited in several cases as the motivation for involvement in contracting and service delivery as the only route to access funding in order to continue to exist and attempt to meet their primary purpose. There was acknowledgement that chasing funding was a principal cause of mission drift but these organisations felt that there was no other option open to them in the absence of other funding sources.

*"I think it is the case that we have reduced independence to air our views. It is difficult to be totally objective and you need to guard what you would say."*  
(Rural development association)

*"I think that the organisation has experienced a mission drift as we have moved further into voluntary rather than community tasks. There is still a needs led approach but the needs and priorities have changed."* (Community caring organisation)

For some organisations interviewed this shift away from their core ethos expressed itself in them becoming more like private sector organisations or being driven too much by the demands of contracts. There was also a feeling that the new language of 'partnership' was just a veneer to make funders and statutory agencies feel good and that, underneath this, the same old unequal relationship was still in place with the sector viewed as very much a junior partner.

*"The issue of blurring of boundaries is a potential difficulty for us. Some people think that we are part of the council and we don't want this. It would not be a healthy situation for us to be seen as part of the statutory sector."*  
(Advice bureau)

*“Contracts and social policy have resulted in mission drift to a situation where there is now a top down approach to service delivery. I think contracting gives statutory organisations more control and will influence the voluntary sector mandate which may result in the loss of vision and agenda within the voluntary and community sector.”* (Housing aid organisation)

These criticisms as a result of being involved with contracts and service delivery are, in some ways, quite high level and are focused on power relationships and the politics of the wider statutory/voluntary and community sector interface. The larger reasons for these imbalances are located in many ways at the current funding infrastructure of the whole sector and the evolution of the relationship between government and voluntary and community sector organisations. However, there were also a range of practical criticisms related to policy and procedure in the contracting relationship that highlight areas where improvements could be targeted. The first of these points centres on what has become a regular item in any discussion of contracts and service delivery in the voluntary and community sector, the difficulties around payment of ‘core’ or management costs. This issue is the focus of much discussion in the *Cross Cutting Review on Service Delivery by the Voluntary and Community Sector* (HM Treasury, 2003) which concludes that there is nothing in any of the current government guidelines that prevents the payment of these costs. Such costs refer to head office and administrative expenditure necessary in the delivery of a service but are not viewed as such by some funders, in particular health and social services trusts.

## **7.2 Core costs**

Many organisations, through the development of long standing relationships or because they are sufficiently large to not be swayed by such argument, no longer feel that this is an issue for them. For others, however, the payment of such costs is an ongoing problem and burden and can result in stalled or unsuccessful negotiations or, in extreme cases, a situation whereby a voluntary and community sector organisation is effectively subsidising the cost of service provision or operating at a break-even or below cost level. There is also an expectation among some statutory funders that voluntary organisations can be expected to do more with less resources

because it is either in their nature or they can draw on other resources, such as volunteers, to carry the burden as if there were no costs associated with them.

*"The management and core costs can be difficult to cover as there is only so much one person can do. We are under-resourced and several sources of income are required to sustain each member of staff."* (Rural development association)

*"The council still however maintain the stance that the voluntary sector should be doing the work at a knockdown cost. It has to be explained to them that in the voluntary sector we also have to eat."* (Environmental organisation)

What is particularly galling for those in the voluntary and community sector is the fact that these are rarely issues faced by private sector providers or even health and social services trusts which are themselves also service providers. An ongoing complaint from them is the double standard that operates at trust level whereby quasi-independent Trust providers are not expected to account for all their costs many of which are hidden within the budget of their parent organisation and are eased through economies of scale. Although this issue was highlighted in the Social Services Inspectorate report (SSI, 1998), there has clearly been no significant change or improvement in practice.

*"The trusts sometimes use comparisons against statutory providers to excuse complaints about core/management costs in bids, but they are not comparing like for like as a lot of their costs are hidden and due to economies of scale."* (Mental health charity)

### **7.3 Double standards**

The inability to reclaim VAT by voluntary sector providers, compared to commercial organisations, did not come up as an issue during interviews, with one exception. However, there were complaints about the double burden faced by voluntary and community sector groups which had to abide by both charity and commercial legislation in contrast to private sector service providers which ultimately made them

less competitive. It was also remarked by some voluntary sector organisations that commercial providers specialised in 'creaming off' the best candidates, particularly in adult training provision, and, therefore, those with the best chance of success. Voluntary organisations with their open door policies were left to deal with those with the greatest needs without any recognition, financial or otherwise, of the extra time and effort required to meet these needs.

*"The organisation faces competition from private companies specialising in outdoor activities and adventure learning. I have noticed that private organisations are cutting the price of provision but [we] are unable to because we have a licence and must keep to a certain standard. Private organisations do not need to have a licence meaning that they are able to cut corners."* (Activity centre)

*"I feel that we have a double burden as we have to operate with business legislation and operating circumstances but also have charity and voluntary sector criteria and liabilities on top of this."* (Rural residential centre)

An issue identified by many organisations as causing difficulties for their involvement in service delivery contracts was the extreme variation in practice between what are, on the face of it at least, totally similar organisations. Another facet of this was the importance of personalities, and personal contacts, in getting access to and successfully bidding for contracts. Although several groups were proud of their ability to generate contracts as a result of personal contacts it is obvious that it goes completely against the grain of a supposedly fair, open and competitive system. Exceptions, of course, are to be expected when a particular service is specialist or is as a result of an innovative pilot project initiated by a voluntary or community group but the frequency of this occurrence throughout the interviews is some indication of more than exceptional cases.

*"Personalities in departments have a huge influence on what you can and can't do and the speed and ease at which things go."* (Youth training centre)

*"The difficulty with chasing new contracts with other trusts is finding the one person there who will be able to turn the key and allow us to contract."*  
(Disability organisation)

The other area where there was extreme variation between similar types of funding organisations, and even different units within the same department, is when it comes to monitoring, accounting and reporting procedures. There were the usual number of complaints about the general level of administration and monitoring required by statutory funders (common throughout the sector) but in this instance they focused directly on wide variations in practice. As was seen earlier in the results section, this also included positive comments, and some surprise, about the lack of monitoring required from some funders.

*"Training programmes and systems are generally similar so I don't see why the recording and monitoring systems have to be so different. I've seen the situation several times whereby two or three teams of inspectors arrive at the same time, sometimes from the same departments, to carry out their own investigation. They all seem to have different views and priorities about what is important."* (Youth training centre)

*"When it comes to administration and monitoring it varies widely between trusts as to what they want and it is often based on the personality of the individuals involved and the relationship"* (Mental health charity)

#### **7.4 Extreme competition**

Perhaps the most serious criticisms of involvement in contracts and service delivery centred on the perceived impact various practices were having on the capacity and infrastructure of the voluntary and community sector. The main focus of these comments related to the negative impact of strictly applied competitive practices on established local community infrastructures, the lack of acknowledgement of the risks taken on by organisations becoming involved in service delivery and the rapid growth experienced by some groups as a result of successful negotiation of contracts.

Unfortunately, the most serious of these complaints were directed principally, but not exclusively, at the actions of one government department which is responsible for administering a wide range of community programmes. As such it is one of the principal contractors of service delivery by the voluntary and community sector. The essence of the criticism was that some government departments had taken competitive contracting to such an extreme that well established and respected voluntary and community sector providers, who had pioneered many of the training strategies now accepted as best practice, were losing out to commercial organisations. The impact of these losses was not just financial but threatened the very community infrastructure which had taken decades to establish sometimes in high profile areas of poverty, disadvantage and cross-community conflict. The impact of these strategies was perceived by providers as a distinct loss of the partnership approach that had previously characterised government departments and a short-sighted policy which was putting financial rectitude and administrative priorities before community development and, even, the needs of service users.

*"There doesn't seem to be anybody in the department looking at the big picture in terms of real employment opportunities or the actual needs of [users] or... providers ... The motivation for a lot of the paperwork and administration seems to be that the department's overheads were so high that they decided to pass them on to contractors instead who are in no position to complain or change the system. Saved them a lot of money it seems."* (Youth training centre)

*"The contract went to a private... organisation from [place] not even from the locality who then sub-contracted it out to other private organisations. It means a complete loss of local... provision and the possibility of major negative consequences for the local community infrastructure. Previously in a bid situation like this there might have been support available from [department] in the form of an information meeting or seminar but not in this case. It is beginning to squeeze the potential for capacity-building and local community support."* (Employment training consortium)

## 7.5 Risks

Several organisations felt that they were taking substantial risks when becoming involved in service delivery as a result of their organisational status, which were unacknowledged and financially disregarded by statutory sector funders. These risks involved the employment of staff or the purchase/redevelopment of premises or using up limited resources while awaiting payments in arrears. With some groups there was a feeling that insufficient time was allowed for starting up a project or service.

*"There are also many hidden costs in servicing grants and contracts, in particular the need to have up to date policies and procedures that involve other things like production of manuals and staff training. We know we should have them in place but there is added pressure from funders insisting they are there before funding can be approved."* (Children's charity)

*"It was only last month, after nearly 12 months, that we have broken even on this service. It also created risks for the organisation although we knew we are underwritten by the department to some extent. The director of the organisation was completely unfamiliar with the standard voluntary sector practice of risk-taking, juggling funds and the possibility of losing staff."* (Disability service provider)

These then were the principal difficulties mentioned by voluntary and community sector organisations during the research encountered as a result of their involvement with government-sponsored contracts and service delivery. Some of these issues were also identified within the recent HM Treasury *Cross Cutting Review* document but others are peculiar to the Northern Ireland environment. Indeed, several interviewees pointed out the ease with which they arranged service delivery contracts with government departments in England with one stating that *"the situation is completely different with government departments in GB as over here we are not trusted by government departments"* (Cross-community group).

No doubt some of the variation in experiences can be explained by completely different structures, histories and procedures but some of it must also be due to

administrative difficulties inherent in the system of procurement. Other issues were also identified by voluntary and community organisations but they were not included as they were not shared by a sufficient number of the sample and so were deemed insufficiently serious for inclusion. Overall, the majority of the issues outlined above as having a negative effect on the contracting experience of groups in the sector relate to matters of policy, procedure and implementation requiring relatively minor adjustments to the current system in order to effect positive change. However, the findings from this research did identify one or two matters of policy and procedure that may be deemed to have major detrimental effects on the infrastructure of the sector and the continuing evolution of the relationship with government.

## 8. Summary and conclusions

### Key messages:

- The findings from this study show that involvement in public service delivery does not suit every voluntary and community group and should only be entered into after serious consideration about the potential long term impacts on the organisation and the consequences for change. It should not be seen as an easy source of funding with no consequences.
- For many groups involvement in contracts for the delivery of public services has many benefits including increased stability and security, the potential for closer working relationships and greater influence with statutory funding agencies and the potential to create surplus income to devote to other core activities or contribute to financial reserves.
- Many voluntary and community groups feel that existing core grants and grant aid should take on more of the aspects of service level agreements so that both parties to a contract are clear about what is expected and what is to be delivered.
- It should be recognised that the continuance of core funding by government agencies over the past decades has had a significant impact in maintaining and developing the infrastructure and capacity of the voluntary and community sector.
- There is a clear rationale for health and social services boards to be the main, but not exclusive, purchasers of social, health and personal services so that health and social services boards are removed from the anomalous and confusing position of being both purchasers and providers of services.
- Some of the potential anomalies resulting from this situation include wide variations in local policy and procedures, perceived double standards applied to statutory service providers, difficulties in gaining core or management costs by voluntary and community groups compared to other service providers and the influence of personalities in the contracting process.
- There were criticisms that some government departments were taking the requirements of 'best value' to an extreme to the detriment of existing voluntary and community sector infrastructure and sustainability. There is a case to be made for some element of community impact analysis to be incorporated into decision making about the purchase of key public services.
- A Force Field analysis matrix was constructed from the findings to assist in the development of policies that could promote the greater involvement of voluntary and community groups in public service delivery.
- A move towards greater centralisation of government contracting of public services, but not a total one, could assist in the reduction of factors inhibiting the involvement of voluntary and community sector groups.

**Key messages continued...**

- Demystification of the whole process of procurement, competitive tendering and service delivery is needed as is a central source of information.
- A move towards greater centralisation of government contracting of public services, but not a total one, could assist in the reduction of forces inhibiting the involvement of voluntary and community sector groups.
- There is a need for good practice guides and guidelines on the advantages and disadvantages of being involved in public service delivery to be developed and disseminated to both sectoral organisations and key government agencies.  
Demystification of the whole process of procurement, competitive tendering and service delivery is needed as is a central source of information.
- Within the sector there is also a clear need for an arena where information, experience and advice could be shared by those participating in service delivery or considering doing so in the future. There are also opportunities within such an arena to develop consortia or partnerships that could compete more effectively for major public service contracts.
- There is a complete absence of training and education within the sector focused on skills and techniques required to successfully access, negotiate, manage and administer large scale public service delivery contracts.

In the overall funding mix contracts and service level agreements do not make up a very large proportion of the income of the sector. However, if trends within the sector in the rest of UK are anything to go by this proportion will naturally increase and will be boosted by the availability of funding from Future Builders (once a decision about its' use in Northern Ireland is made) and further promotion by government. Given these factors, now is obviously a good time to review progress in Northern Ireland, to take stock of the current local situation and to lay down a foundation for best practice in the future. Above and beyond the financial impact contracts and service delivery provide other benefits both to the sector and society in general. They enable a voluntary sector ethos to be expressed through public service delivery, they allow voluntary and community groups to have a higher profile, they encourage the development of innovative and user-focused approaches and they can provide a fast response to newly identified or emerging needs. Service level agreements also enable voluntary and community groups to attract (or lever) other sources of funding and they can provide a source of stability and security, in many cases, in the absence of a wider range or deeper pool of core funding. However, the findings from this study show that this type of funding does not suit every voluntary and community group and should only be entered into after serious consideration about the long-term impacts on the organisation and the potential consequences for change and not as an easy source of funding.

The results also show that many groups feel that, if it is not already the case, core grants and funding should take on more of the aspects of service level agreements so that both parties are clear about what is expected and what is to be delivered. This request is in response to the uneasiness and, at times, conflict caused as a result of lack of clarity about the function of a core grant and the feeling that at times it can veer too much towards a patronage relationship. This is not to say that core grants should have all the elements of a service level agreement but that their format should evolve more towards the partnership arrangements, or even compacts, being promoted so loudly at the moment by government and statutory agencies (for example, the *Programmes for Government*). However, it needs to be recognised and stated clearly that the continuance of core funding by individual government departments and agencies over the past decades has had a significant effect in maintaining and developing the infrastructure and capacity of the voluntary and community sector. The judicious use of core grant aid, during a time when the

trend was against it, was a far-sighted and brave policy, the impact of which can clearly be perceived if one only imagines what the voluntary and community sector infrastructure would look like now if it had not been available. A study of funding practice by the Lloyds TSB Foundation (2002) also supports the efficacy of core grant aid, compared to project funding, which showed that even small donations can make as much of a difference in achieving outcomes as large ones. A fifth of the 130 organisation surveyed in this study indicated that the work would not have been able to exist in the absence of core funding with, in some cases, a resultant closure of the organisation.

Several of the main criticisms of the impact of public service delivery by voluntary and community groups relate to the influence of personalities, local variations in policy and procedure, difficulties in gaining core or management costs in contracts and the practice of double standards by statutory funding agencies towards the competitors of voluntary and community groups. Much of this criticism was targeted at Health and Social Services Trusts in particular, but also applied to district councils, education and library boards and other local statutory authorities. The Social Service Inspectorate report's recommendations (SSI, 1998) had already made a case for the central administration of purchasing by health boards. This report also recommends that this should happen. There are no valid arguments for having a statutory agency as a funder of services and a provider of those same services in a supposedly competitive and equitable system. There is a clear rationale for health boards to be the main purchasers of services and trusts, together with voluntary/community and commercial organisations, as the competitive bidders for those services. This would remove many of the anomalies that allow the current confused system to operate and cause those difficulties identified by voluntary organisations. There is still a case, however, for a mechanism whereby Health and Social Services Trusts are able to respond quickly to locally identified needs and easily access funding to put in place strategies to meet these needs. There are currently plans in existence to introduce some level of centralised control and streamlining in relation to purchasing by district councils and education and library boards. The recent review of government purchasing policy includes plans to subsume much of the procurement of these so-called 'centres of excellence' within the remit of the recently established Central Procurement Directorate as part of the Department of Finance and Personnel. These

and other issues of government procurement will be dealt with more fully in the second report to come out of this research.

The most serious criticism of the implementation of service level agreements and procurement focused on the perception by groups in the sector of some government departments taking the requirements of 'best value' policy to an extreme. The implementation of an extreme competitive policy in procurement of public services without regard to the consequences must be criticised in general. However, the impact this type of policy has is even greater when it is applied to organisations from the voluntary and community sector. It must be remembered that the ultimate aim of government funding of public services is the promotion of social capital, building community infrastructure and capacity, and meeting the needs of disadvantaged people within existing economic constraints. Best value should not only be concerned about value for money but should also pay attention to the value to be gained in the wider sense of all government policies in relation to developing civil society, and in the longer term, when reviewing the benefits to be gained by contracting out a particular public service. Without wishing to add to the considerable administrative burden experienced by statutory purchasers, there is a case to be made for some element of impact analysis to be incorporated into making decisions about the purchase of key public services.

Voluntary and community groups cannot be seen just as service providers but constitute a unique part of the make up of civil society. There are specific benefits and knock-on effects (added value) to be gained relating to social capital and community cohesion by maintaining their presence in service delivery. This is not to say that favouritism or positive discrimination of any sort should apply in deciding who is best placed to deliver a particular service but there should be recognition that funding a voluntary or community group to deliver a service will have completely different impacts to funding either a statutory or private sector organisation to do so. Hopefully the partnership style of funding and contracting which was the hallmark of these government departments in the past will force its way through to the fore again in their dealings with voluntary and community groups. The continuation of an over-zealous and extremely competitive approach to the contracting of services may have serious long-term consequences for both the infrastructure of the voluntary and community sector, and communities, and goes against the grain of progressive

government policy. This is even true of the most business-like government procurement practice whereby the Department of Finance and Personnel has made it clear that the Central Procurement Directorate must take account of, and seek to promote, cross-cutting policies such as New TSN in their day to day procurement practice.

One of the principal difficulties in summarising the key points from any research project is converting a range of positive and negative experiences into practical recommendations for future action that take account of the restraints of realistic policy development and the difficulties inherent in making any changes in a complex system of operation. There are as many management and strategic planning tools devised to attempt this task as there are consultants who have made comfortable livings out of this activity! One of the more practical and useful of such tools is a technique called 'Force Field Analysis', devised by the psychologist Kurt Lewin for diagnosing situations that is often used in community development as a method of project evaluation. The aim of the technique is to identify forces that either inhibit or promote the fulfilment of a particular goal or objective. Having identified these it is then a matter of deciding which forces can be most easily increased or decreased, while incurring the minimum amount of resistance, in order to move closer to achievement of the ultimate objective. In general it is a useful tool when there are either a large number of forces or factors to deal with or there are some which are completely intractable. It is also possible of course to rank the seriousness or desirability of particular forces and schedule a programme to deal with them over time. In order to arrive at a framework that may allow specific recommendations for action to emerge from this study, a Force Field analysis has been constructed (shown as Figure 1 below) that takes the principal forces that have been identified in this research as having a part to play in either promoting or inhibiting the achievement of a more equitable and efficient system of public service delivery by the voluntary and community sector.

**Figure 1: Force Field Analysis of factors affecting service delivery by the voluntary and community sector**

Promoting Forces ⇨	GOAL	⇨ Inhibiting Forces
Contracts can generate surplus		Consequences of speaking out
Clear expectations about outcomes		Absence of core funding – dependence on contract
Increases stability/security		Demands of contract too much
Close working relationships		Junior partners in relationship
Greater influence on policy and procedures		Minimal core/management costs
Increased professionalism		Too business-like/blurred boundaries
Awareness of value base in service delivery		Double standards between sectors
Knowing the boundaries/pitfalls		Variation in practice/procedures
Not allowing funding to restrict independent voice		Influence of individuals
		Taking competition/best value to an extreme
		Lack of regard for capacity and infrastructure

As can be seen from the diagram, there are more inhibiting forces identified than promoting forces, but many of these are related. As was stated earlier a move towards greater centralisation, but not a total one, would immediately reduce the influence of at least three or even more of these negative forces. These are 'double standards', 'variation in practice', 'influence of individuals' and there may even be other knock-on effects through this policy change in reducing the 'fear of speaking out' and even feelings of being 'junior partners' in the relationship with statutory agencies. On the positive side this change in policy may have an impact in promoting even more the 'close working relationships' force, the feelings of 'greater influence on policy and procedures' and will boost the confidence of voluntary and community sector groups to not allow 'funding to restrict independent voice'. Thus it can be seen

how a single, although not necessarily simple change in policy has the potential to result in the reduction of significant forces of inhibition and an increase in the forces promoting progress towards the achievement of the goal.

Similarly, the recommendation that there be an easing off in over-zealous implementation in best value and competition will potentially lessen the negative impacts on 'capacity and infrastructure', the 'demands of contracts', the feelings of being the 'junior partners' and possibly the 'blurred boundaries' between sector organisations and other types. It would conceivably also have a positive impact again on 'close working relationships', 'greater influence on policy' and perhaps increase feelings of 'stability and security'.

There are areas of this analysis where the sector has a part to play as well. There is a clear need for practice guides and guidelines on the advantages and disadvantages of being involved in service level agreements to be created and disseminated widely by both sectoral organisations and key government agencies that have a part to play. Being aware of your value base, knowing the boundaries and pitfalls, ensuring involvement in service delivery is for the right reasons, having sufficient capacity and resources, having the confidence, skills, experience and levels of professionalism required to negotiate effectively, manage and administer, implement and deliver services. These are all the major factors (amongst others) that should be included in a decision-making grid that would enable voluntary and community groups to realistically assess their prospects and the consequences of becoming involved in service delivery. It would also be useful to carry out case studies of a range of voluntary and community organisations' experiences of becoming involved in service delivery with examples of both successful and unsuccessful practice.

There is also a need from the government perspective to demystify the policies, procedures and practice around service delivery and a streamlining of the sources of information about contracts. The promotion policies of the Central Procurement Directorate (evolving) and other similar agencies in the UK and Republic of Ireland are to be commended whereby there are central sources of information and contact about all government contracts as well as guidelines for involvement. There were also comments made by some interviewees that consultation practices (workshops and seminars, etc) with service providers had fallen into disuse so there is potential

for this approach to be re-established in order to prevent misunderstandings about policies and procedures and to assist in the involvement of service providers.

Several organisations which took part in this research expressed concern about the absence of an arena where information, experience and advice could be shared by those participating in service delivery, or considering doing so in the future. This is something that could easily be facilitated within the sector and, using the Concordia consortium as an example, there is probably a benefit to be gained by opening up in some way to all those who are involved in public service delivery. A specific note was made by several interviewees about the poor level of negotiation skills and the absence of training in such skills or, indeed, a focus on service delivery as a particular niche requiring specialist understanding or training in any of the academic courses focused on improving skills within the sector. This last issue was also highlighted for some staff from the statutory sector that did not have any previous experience in or exposure to the skills of negotiation although it was now part of their area of responsibility.

As a final set of comments about the results of the research, and the Force Field analysis, it should be noted that some of the issues identified have their source, and any likely solution, in areas outside the scope of the subject matter of this report. In particular the absence of core funding is a complaint heard from every section of the voluntary and community sector, especially from those who are not lucky enough to be in receipt of such support, and is something about which the current Task Force is expected to make recommendations. Similarly the view that there is a blurring of boundaries between the sectors or, more specifically, that the historical description of a voluntary or community organisation is becoming confused as a result of increased professionalism and service delivery is a reflection of the evolving nature of the sector. As such, comments about whether it is a good or bad thing are totally subjective and are based on the particular politics and views of the individual rather than requiring a response as part of an evaluation of the workings of the system of service delivery by the voluntary and community sector. The aim of this study, hopefully largely achieved, was always to be focused on an objective analysis of the current situation with the aim of coming up with practical and useful suggestions for improvement and change so that voluntary and community sector groups would play a larger part in the future delivery of public services.

# Contracting the sector

*Government's perspective on public service  
delivery by the voluntary and community sector  
in Northern Ireland.*

## **1. Introduction**

This is the second part of the research project which focuses the delivery of public services by of the voluntary and community sector and the relationships that exist between the sector and government. The first part of the research looked at the situation from the perspective of voluntary and community groups that have been involved with delivery of public services through funding arrangements commonly known as 'service level agreements' or 'contracts'. It was considered appropriate to investigate the impact of these types of arrangements from the perspective of those who provided this funding, that is, the statutory sector in the form of government departments and their associated agencies. The inclusion of the views of government and its agencies on service provision by the voluntary and community sector provides a more holistic overview. It also affords an opportunity to review the literature and recent legislative, policy and practice changes that have an impact on the procurement or commissioning of public services in general and how they may relate to service provision by the voluntary and community sector.

## **2. Methodology**

The principal Government Departments and agencies involved in commissioning the delivery of public services by the voluntary and community sector were initially identified during the first stage of this research project. In the first instance, this was through interviews with representatives of voluntary and community organisations who were involved in service provision. Government Departments and agencies were asked to estimate the overall amount of funding provided to the sector in the form of service level agreements and/or contracts for service provision.

Following this original communication departments were subsequently approached for an interview in order to give a greater insight into the relationship between the government and the voluntary and community sector. It was also considered appropriate for the new Government Purchasing Agency, the Central Procurement Directorate, to be included in the research as they are engaged with many government agencies in commissioning services.

### **2.1 Interviews**

As mentioned above an attempt was made to interview a representative from each of the main government departments and agencies included in Table 1. However, this was not successful due largely to the very short timescale available for the research and the difficulties inherent in identifying an individual with responsibility for commissioning services. In *Partners for Change* (Voluntary Activity Unit, 2000) each government department and agency has nominated named civil servants whose responsibility it is to liaise with the voluntary and community sector. Making contact with these individuals for the majority of relevant departments proved a fruitless exercise as they either no longer had any responsibility for this liaison or were not in a position to deal with enquiries related to the purchase or commissioning of services.

In the end it only proved possible to arrange interviews with representatives of six government agencies (nine individuals in total) that are involved in dealing with service provision by the voluntary and community sector. The aim of this project, given the timescale involved, was to get some overall impressions of the experiences

of statutory funding agencies in dealing with service provision by the voluntary and community sector. However, the frustration and difficulties encountered in trying to identify and contact relevant individuals within government agencies for this project serves to highlight some of the barriers that voluntary and community sector groups, and no doubt members of the public, will encounter while attempting to access information and advice from government sources. The interviews were conducted with staff from: Central Procurement Directorate (CPD), Department of Enterprise and Learning (DEL), two Health and Social Services Trusts, Northern Ireland Housing Executive (NIHE), Social Services Inspectorate (SSI) and the Office of the First and Deputy First Minister (OFMDFM). Interviews were undertaken on the basis that they were confidential and that no individual civil servant would be identified except for the Department or government agency they were employed by. It should be noted, again, that we do not claim that the views expressed by the interviewees are in any way representative of the views of Government in general, or individual departments or agencies, towards the voluntary and community sector. The aim was to highlight some of the practical issues faced by statutory sector funding agencies in dealing with the issue of service provision by the voluntary and community sector, and to further illuminate the current relationship with a view to making recommendations for future best practice.

### 3.    **Background**

*"The new view of welfare services...signals an outsourcing of services to organisations with roots in the community and a commitment to providing assistance for the needy. For instance, the Salvation Army, rather than a government agency, becomes the characteristic face of state welfare."* (Chalmer and Davis, 2001)

#### **Key Points**

- Government believes that voluntary and community sector organisations have a crucial role to play in the delivery of public services with the recent Treasury Review (HM Treasury, 2002) underscoring the seriousness of these intentions with the establishment of a £125 million fund to better promote this vision.
- This study reviews the changes in the past couple of decades in the way in which public services are managed. These reforms have been characterised as a move from government to governance (Boyle & Humphrey, 2001) and principally concerns an emphasis on the management of networks rather than hierarchies with public management reforms tending to focus on issues of strategic management, devolution and decentralization of responsibilities and the management of cross cutting issues.
- A key instrument in this reworking of public service delivery is performance contracting (commissioning, procurement) defined by the OECD (1999) as 'a framework for generating desired behaviours in the context of devolved management structures'.
- For this project a range of key government personnel involved in the commissioning of public services were interviewed to explore their views of the role of the voluntary and community sector in service provision.

Public service provision by the voluntary and community sector on behalf of government has quite along history in the UK stretching back to the 1950s (Knight, 1993). However, the scale of service provision has grown enormously since the 1970s to the extent that nearly half of all new income for the top 500 charities between 2001 and 2002 came from government sources (CAF, 2003). A common theme running through major policy documents from government from the 1970s

onwards is the need for and value of partnerships with various sectors reflecting an underlying belief that the statutory sector cannot and, in principle, should not meet the increasing demand for many public services. The latest and possibly most significant expression of this view is the 2002 publication of a Cross Cutting Review promoting the role of the voluntary and community sector in service delivery (HM Treasury, 2002). In declaring that government believes that voluntary and community sector organisations have a crucial role to play in the delivery of public services, the Review underscored the seriousness of these intentions through the establishment of a £125 million fund to better promote this vision.

This move towards greater use of contractual arrangements and competitive tendering is not happening in a vacuum, however, and is not solely related to the UK Government's view of the voluntary sector as a third social force in the evolution of civil society. It reflects, and in some ways is a product of widespread changes occurring in public service management practices generally and the structure of the government funding relationship with the voluntary and community sector. There are also specific factors at play in Northern Ireland as a result of devolved government arrangements that have a bearing on the issue of procurement of public services. The next section will review some of the major factors at play that form the wider context in which to understand how the voluntary and community sector engage in the delivery of public services.

### **3.1 Public service management reforms**

*"It is now something of a cliché to comment that organisations operating between the market and the state – variously labelled voluntary, non-profit or third sector organisations – are being rediscovered by politicians, academics and the media. Far from being a rather shadowy enclave on the periphery of the mental map of most social policy shapers, the multifarious contributions of these organisations have moved closer to central stage." (Kendall and Knapp, 2000)*

Expenditure on public services has increased enormously in recent years with recent estimates for the UK putting the figure at £250 billion each year. For the first time serious strategy public policy towards the voluntary and community sector (or 'third' sector as it has come to be known) is emerging to supplement specific policies in

fields such as health, social care and housing. The development of Compacts between the state and the third sector in the UK represents an unprecedented degree of symbolic recognition (Edelman, 1977). The *Partners for Change* policy (Voluntary and Community Unit, 2001) is the nearest Northern Ireland equivalent to these. This has been accompanied by major government investments of additional financial and political resources to strengthen its support for the voluntary and community sector. Since 1982 there has been a 40% increase in government funding of voluntary and community organisations (excluding housing) in real terms and it is estimated that groups in the sector raise over a third of their income from sale of goods and services, a total of £5.5 billion in 2001 (NCVO, 2002). These major changes reflect underlying shifts in the way government commissions and manage the provision of public services.

Changes in the past couple of decades in the way in which public services are managed have been characterized as a move from government to governance (Boyle & Humphrey, 2001). This principally concerns an emphasis on the management of networks rather than hierarchies with public management reforms tending to focus on issues of strategic management, devolution and decentralization of responsibilities and the management of cross cutting issues. The recent HM Treasury Review of the process of involving the voluntary and community sector in service delivery is a good example of this new approach. In this new environment public managers have had to develop a much greater tolerance for ambiguity, a willingness to take risks, and to manage a myriad of different cultures in their search for co-operation between the constituent elements of the network. Moreover, according to Jackson & Stainsby (2000), "they will need to be expert brokers of contracts and builders of trust".

The new public sector managerialism that emerged in the 1990s encouraged more responsibility amongst public sector managers in organisations that operate in quasi-independent markets (such as the NHS). Although these markets in the public sector remain political constructs, rather than being genuinely free or open, where services are largely traded on behalf of users by professionals, there has been a search for business solutions to social problems. The combination of structural factors and trends in public sector management has required new principles for public sector

reform that are guided by the combined objectives of improving social inclusion and productivity. These reforms, according to Hutton and Bevan (2003), centre on:

- Setting national standards within a clear framework of accountability so that all citizens have the right to high quality services.
- Devolution and delegation to the frontline in order to give local leaders the responsibility to deliver.
- Flexibility for public bodies and staff to achieve more diverse provision.
- Greater choice over public services so helping to drive up national standards.

These reforms have also emerged in response to public concerns about public services failing to deliver in many areas particularly in health, education and local government (Kendall & Knapp, 2000). A move away from government to governance is part of the attempt to deal with these criticisms as it recognizes that while government agencies are still key actors in service delivery there is an increasing involvement of others. There is recognition that government cannot act alone but must interact with markets, voluntary organisations, civil society and individual citizens to deal with issues of public concern (Boyle, 2002). It has meant that the current government has no ideological objection to either using the private sector in public service delivery or of introducing greater competition between the public sector and providers from the voluntary and community sector.

### **3.2 The rise of performance contracting**

A key instrument in this reworking of public service delivery is performance contracting (commissioning, procurement) defined by the OECD (1999) as 'a framework for generating desired behaviours in the context of devolved management structures'. This reflects, in part, government recognition of the benefits of increased contestability and a move towards a more pragmatic approach based on 'what works'. Performance contracts include a range of management instruments used within the public sector to define responsibilities and expectations between parties to achieve mutually agreed results (OECD, 1999) and are viewed as an important tool to increase efficiency and ensure accountability for the use of public money. There is an increasing focus by government on how public funds are being used and this, together with the general reduction in trust in public institutions

(including voluntary and community organisations) have led to demands for more formal accountability (Boyle, 1998). The outsourcing of public services has long been in practice for government agencies with a clear commercial orientation however, since the 1990s this practice has increasingly spread to the provision of social services as well as other areas such as education (Chalmers and Davis, 2001).

As we have seen the contracting out of publicly funded health and social care to the third (voluntary and community) and for-profit (commercial) sectors is not a new phenomenon (Knight, 1993). In the UK this sort of non-state provision had grown considerably during the 1980s, through a combination of accident and design (Wistow et al, 1994), and was accelerated throughout the 1990s by the Conservative government who introduced legislation to institutionalize this trend. The current Labour government has largely continued this policy, although the language used refers to co-operation and partnership rather than that of competition and market forces. That political parties with such different ideologies and constituencies should both promote such policies is seen by commentators (Kendall and Knapp, 2000) as symptomatic of underlying demands for reform in public services rather than any party political agenda. Although initially skeptical about the value of contracting out of services to non-state organisations, public service managers have come to recognize the value of such an approach in achieving the demands of Best Value for public funds and the increased requirements for efficiency and scrutiny. In a series of extensive interviews about performance contracting with local authority managers, Kendall and Knapp (2000) found that "there has been a steady increase in the proportion of local authorities holding the view that the process is neither inherently inappropriate nor disadvantageous in the planning and delivery of social care."

### **3.3 Why the voluntary and community sector?**

*"Many of the services that now form an integral part of the statutory sector began in the charitable sector. More recently, and almost unnoticed, not-for-profit organisations have increased their share of the delivery of public services as local authorities, central Government and government agencies have steadily outsourced more services to the third sector"* (Stephen Bubb, ACEVO, 2003)

The extent of the growth of the voluntary and community sector in the UK is illustrated by the fact that it now employs the full time equivalent of 1.5 million workers, which is considerably more than the NHS (ACEVO, 2003). The latest figures for Northern Ireland also show that it is a significant sector of the economy here employing more than 29,000 people in 2001 which is 4.5% of the total workforce (NICVA, 2002). The total assets of the sector in Northern Ireland were worth over £750 million in the same year and voluntary and community groups expended more than £640 million.

The provision of social care by the third sector has been one noticeable area of growth that has been buoyed by government enthusiasm for independent sector provision of community-based care. In the UK, as elsewhere, care for older people accounts easily for the largest share of resources devoted to social care (Secretary of State, 1998) and it simultaneously accounts for a large part of the activity of the voluntary and community sector (Kendall and Knapp, 1996). Despite the changes in public service management outlined above the question remains as to why there been such a recent growth in the provision of public services by the voluntary and community? There are several answers to this question depending on your perspective (government or third sector), your liking for economic theory or your level of cynicism.

### **3.4    Government or voluntary sector failure?**

Theoretically, two major perspectives have been proposed to explain the interaction of government and the voluntary and community sector. The notion of 'government failure' has been proposed by Weisbrod (1977) to explain why the third sector becomes involved in the provision of public services on a voluntary basis. In deciding on the quality and quantity of public services, government is guided by the principle of equity, which results in the preferences of the median citizen being used as a yardstick. If these preferences are not homogenous throughout the population, as they can rarely be, the needs of dissatisfied citizens will be met through non-profit organisations providing alternative services. Thus, non-profit organisations emerge as supplements to government ensuring that there is greater diversity and customization of service provision (Young, 2000). This theory helps explains how government failure leads voluntary and community sector organisations to become

involved in providing niche public services that meet particular needs. It also proves useful in understanding the advocacy role played by groups in the sector as, when minority views are not well reflected in public policy and services, they will organize themselves on a voluntary collective basis to provide the services themselves but also to press government to more adequately meet their needs.

In contrast, a theory of 'voluntary failure' has been proposed whereby philanthropy for various reasons does not emerge or develops in a skewed or insufficient manner (Salamon, 1987). In these circumstances government has to intervene to either provide better services or regulate the voluntary and community sector. In this view government is seen as more equitable, professional, democratic and inclusive and the sector emerges to play a complementary role in the provision of services. Voluntary and community organisations become involved in the delivery of public services because in many circumstances it is more efficient for government to delegate them than deliver them directly.

Whether the third sector performs a supplementary or complementary role in the provision of public services is open to debate. What is not debatable is the impact on the voluntary and community sector of the contracting out of these services. As exemplified by the HM Treasury Cross Cutting Review (HM Treasury, 2002) the current Labour Government is very determined and committed to increasing the presence of the third sector in public service delivery. *"This government is passionately committed to the work of the voluntary sector...This partnership is about fresh ways of thinking through the role and structure of government and the voluntary sector and the way we deliver public services."* (From the Foreword by Paul Boateng). The Review goes on to specify why it is that the voluntary and community sector might be better at delivering public services than government or the for-profit sector in certain areas (but not all). It concludes that the sector may be able to deliver services more effectively to certain groups because their particular characteristics enable them to operate in environments in which government and its agents have found it difficult or impossible to do so. It goes on to identify 'crucial features' that third sector groups, at their best, may be able to demonstrate. These are:

- Specialist knowledge, experience or skills.
- Particular ways of involving people in service delivery whether as users or self-help or autonomous groups.
- Independence from existing and past structures/models of service.
- Access to the wider community without institutional baggage.
- Freedom and flexibility from institutional pressures.

This commitment to include the sector, to a greater extent, in public service delivery is backed by substantial financial resources, clear policy guidelines and procedures and a very detailed roadmap to implementation.

Although this list of commendations from government may be considered impressive, the cynics in the voluntary and community sector would also add another reason for this trend towards greater service delivery – services provided by voluntary and community groups are generally cheaper than other types of providers. The evidence for this claim is largely unproven in all cases although the Review does acknowledge that the demonstrable reluctance by some statutory funding agencies to incorporate core or management costs in the contract terms for many services provided by the sector means that they are operating at very low margins or even at breakeven. Apart from the belief that their public service provision may be cheaper than their competitors, the sector generally feels that it brings what has been called ‘added value’ to services above and beyond purely financial considerations. These added-value items include the use of volunteers and users of services, closeness to customers and clients, community links and accountability, innovation, flexibility and resourcefulness amongst others. The sector would also argue that stereotypes about well meaning and ‘unbusiness-like’ amateurs no longer reflects the current professionalism of personnel in the majority of voluntary and community organisations. Finally, there seems to be clear support from the public for the sector having a role to play in public service delivery with more than one-third of respondents to a recent public survey regarding the Review of Public Administration in Northern Ireland supporting this position (April 2003 NI Omnibus Survey).

### 3.5 The Northern Ireland perspective

Northern Ireland has not remained immune from the general trends in public service management or the closer 'partnership' arrangements between government and the voluntary sector. The recent Review of Public Administration consultation is an attempt to bring public management structures into line with current reforms and the system in the UK. The devolved government structure (when in operation) has meant that government departments and agencies are directly accountable to local ministers and a series of Programme for Government documents have introduced ambitious plans for modernization, change, accountability and responsiveness. In general, NI government departments and agencies have always had to abide by principles of public service management (eg, Local Government (Best Value) Bill, 2001) promulgated by central government so that the trends in reform and use of performance contracting have had an impact here.

However, the different public management and local government structures in existence here have had an impact on their effectiveness, a point readily conceded by the *Review of Public Administration* (NI Executive, 2002). In contrast to other areas of the UK where there are typically two levels of public administration, Northern Ireland as a result of the reforms of the 1970s has three major levels – central government, non-departmental public bodies which deliver services at a regional or sub-regional level and local government (district councils). As in the UK the health service is administered through a separate and distinct arrangement of boards and trusts but in Northern Ireland it is integrated with personal social services. This means that there are over 140 organisations within the public sector with over 70% of expenditure accounted for by Health and Personal Social Services and the four Education and Library Boards. This has led to, what the Review calls, a view that Northern Ireland is over-governed.

This manifests itself in a perceived lack of co-operation across the public sector, arrangements that are too complicated, often difficult to access and needing clearer lines of accountability. They also involve excessive bureaucracy and costs. Clearly the trend towards reform of local government and public sector management that has taken place in other countries has found its moment in Northern Ireland. The Review of Public Administration also takes account of the changing nature of the

voluntary and community sector recognising that it has moved from its original advocacy role to become service providers in their own right as well as full partners with local government in managing specific programmes.

Reforms of local government and public services management have gone hand in hand with major changes in the overall relationship between government and the voluntary and community sector. Like the compacts established in the UK, Northern Ireland now has formally established relations between government and the sector in the form of *Partners for Change* with written commitments of support for the sector by each department and agency. There is also a Joint Government-Voluntary/Community Sector Forum established to advance communications and policy. The Voluntary and Community Unit within the Department for Social Development has been reformulated and reinvigorated to provide a range of supports to the sector, and the current Taskforce on Resourcing the Voluntary and Community sector has been established to guide the future funding and sustainability of the sector. There is also a greater focus in government on pursuing cross cutting policy themes (such as New-TSN) with recognition that government departments and agencies do not operate in splendid isolation but must take account of an increasingly social agenda guided by principles of openness, transparency, responsiveness and 'joined-up' government.

An example of these changes in public service management in Northern Ireland, which has a direct bearing on the issue of service delivery by the voluntary and community sector, is the recent reform of the agency responsible for the majority of government purchasing of goods and services. The Central Procurement Directorate (CPD) was recently established by the local assembly through the amalgamation of several agencies with responsibility for specific areas of government purchasing. Procurement expenditure by the Executive is around £1.2 billion per year and a review was undertaken to ensure that this money was being spent in the most effective and efficient manner "and to ensure that the policy had due regard to equality obligations" (Sean Farren, Assembly, 27 May 2002). The Executive clearly saw the need to rationalize the number of agencies involved in procurement of goods and services in giving the newly established CPD the remit for the vast majority of this expenditure. However, there was also an explicit attempt to adopt a policy of integration of economic, social and environmental policies within the new public

procurement policy. To date this has meant a series of case studies to explore the inclusion of local unemployed people as part of a successful bid for government tender. There are also plans to ensure that Education and Library Boards are included in normal central procurement practices (this will require legislative changes) although District councils need only comply on a voluntary basis. This illustrates the very real impact of current reforms of public service management and administration in areas of Government (the Central Procurement Directorate) that would previously not have had to be concerned with polices outside those directing their own largely commercial activities.

#### 4. Findings

##### Key points

- Outside of their own immediate experience of dealing with specific groups the interviewees largely expressed the view that it was difficult to understand the disparate nature of the sector and the wide range and size of organisations. This view extended to some criticism of the absence of a single representative or umbrella organisation that could speak on behalf of the voluntary and community sector.
- The fragmented nature of the sector lead some interviewees to speculate that rationalisation in the number of voluntary and community groups was a good thing as well as being inevitable due to future changes in funding.
- There was also some criticism of the overall approach to the sector by Government Departments and Agencies with a feeling that it had become somewhat inconsistent and fragmented.
- There was widespread support and appreciation of the voluntary and community sector as valuable resource to government in its efforts to provide public services. This extended to comments about the need for the sector to be a critical independent voice in steering government agencies in the most appropriate and efficient delivery of services.
- A strong thread of criticism running throughout the interviews focused on the perceived level of professionalism within the sector when it came to service delivery. Several of the interviewees were not impressed with the capacity of groups in the sector and their ability to realistically perform to required standards.
- There appeared to be general support for the idea that it might be worth organising information seminars and workshops in order to enable voluntary and community groups, and others, gain a fuller understanding of the demands of performance contracting.
- Underlying many of the specific issues identified during these interviews, and those previously carried out with representatives of the sector, is what can only be termed as a gap in understanding about the fundamental nature and function of the two 'sectors' (Government and the voluntary and community).

The foregoing overview is essential to understanding the status of public service provision by the voluntary and community sector and the current position of government departments and agencies. On both sides, government and the voluntary and community sector, for both of the parties in this relationship there have been many recent changes in established relations and uncertainties that impact on their involvement in partnership and negotiations. Despite long standing relationships between groups in the voluntary and community sector and specific government agencies the new language of governance, accountability and public service management have had an unsettling effect on everybody involved. The results from the first part of this report underline some of the difficulties that have emerged for voluntary and community groups and issues that affected their relationship with statutory agencies by becoming involved in delivery of public services.

#### **4.1    The view from the sector**

Voluntary and community organisations identified many positive aspects of being involved in service delivery and contracts. However, some of them clearly felt that there was also a downside. It is worth reviewing these negative aspects as they formed many of the points of discussion during interviews with representatives of government departments and agencies:

- Some groups felt that involvement in service delivery had adversely affected their independence and gave examples of when speaking out had a direct impact on their ability to attract further funding.
- Smaller organisations, in particular, felt that service delivery had caused them to shift away from their core ethos resulting in them becoming too commercial or too driven by the demands of contracts.
- For some organisations new to service delivery there were continuing problems accessing funding for core or management costs and a feeling that they were subsidising public service delivery.
- There were some criticisms of double standards operating between different types of service provider and comments that undue variation in practice between similar statutory funders had a negative impact on service delivery.

- There were criticisms of an extreme competitive approach to contracting operated by some departments that had serious impacts on local community infrastructure, sustainability and the capacity of the sector.

It was not the principal aim of the interviews for this report to focus on criticisms of the process of contracting and service delivery by the voluntary and community sector. However, it was only fair that respondents had an opportunity to see what feedback the voluntary and community sector had provided in preparation for the interviews. Naturally, interview participants themselves often brought up these criticisms during the interviews, as did the interviewer, in order to explore and explain the issues involved in commissioning service delivery by the sector.

#### **4.2    What is 'the sector'?**

One of the themes to emerge very strongly from the interviews conducted was that most of the participants, who were nearly all middle management in departments and agencies, did not feel it was appropriate or that they were qualified to speak in general terms about a 'voluntary and community sector'. Outside of their own immediate experience of dealing with specific groups they largely expressed the view that it was difficult to understand the disparate nature of the sector and the wide range and size of organisations. This view extended to some criticism of the absence of a single representative or umbrella organisation that could speak on behalf of the voluntary and community sector.

*"There does not seem to be an individual organisation that represents the whole of the voluntary and community sector. Even umbrella bodies like NICVA do not represent everybody."* (Government department)

*"It's difficult to see it all as one sector as there is such wide variation between small and local community groups and large professional voluntaries."* (Health and Social Services Trust)

Without any doubt it is difficult for outsiders (and even those in the sector!) to get any strategic overview of the voluntary and community sector given the very wide range of organisation types it encompasses. It is also true to say that there is not a

single organisation that can speak authoritatively on behalf of every organisation in the voluntary and community sector. This obviously causes difficulties for public servants to get any clear idea of what the sector is like, what its' needs are, or even to develop standard ways of working or dealing with them. In attempting to develop programmes for procurement or commissioning of public services most government departments and agencies have standardised procedures in order to ensure equity of treatment. Unfortunately, in many cases, this does not match with the wide range of third sector organisations that they are likely to encounter and their disparate circumstances and needs. The sector does have to accept that there may be value in organising itself so that there is some level of majority representation to government whether this is through a single organisation or, more likely, a consortium (such as the British Federation of Industry). On the other hand statutory organisations will also have to accept that the disparate nature and independence of organisations in the sector is one of the key reasons why government is keen to see them involved in public service delivery. It is unlikely that any one organisation or consortium will ever be able to speak comprehensively on behalf of all the organisations in the sector.

The fragmented nature of the sector lead some interviewees to speculate that rationalisation in the number of groups was a good thing as well as being inevitable due to future changes in funding. As stated in several interviews, it was felt that fewer organisations to deal with would make the work of government department and agencies easier but also that it would lead to a higher overall level of quality in the sector with a greater capacity to provide large scale services.

*"We do see some need for rationalisation within the sector but this will inevitably mean downsizing for some organisations. The biggest ones will survive."* (Government department)

*"There are historical reasons for why there are too many voluntary and community groups but there is probably a need to rationalise it."* (Health and Social Services Trust)

Concerns were also expressed about the shoestring nature of the existence of some organisations in the sector which lead to worries about their long term sustainability.

A part of this concern was clearly the risks involved in providing public money, no matter how small the amount, to organisations that could be forced to close at any moment due to lack of financial reserves, dependence on voluntary effort or one or two key staff.

*"There are too little reserves with groups, and this is a major concern as many of them are operating on a shoestring" (Health and Social Services)*

*"Smaller groups are nearly always in crisis and looking for money to keep them going." (Health and Social Services Trust)*

*"We have concerns about the capacity of the sector to respond to the increases in numbers and funding, that some organisations will not be able to scale up sufficiently quickly to deal with demands." (Government agency)*

#### **4.3 A fragmented approach?**

There was also some criticism internally of the governments overall approach to the sector with a feeling that it had become fragmented. This was largely directed at the split in responsibility between the Voluntary and Community Unit and historical funding relationships between the sector and health and social services that were still in existence.

*"[Our] involvement with the sector has reduced over the years as a result of the establishment of the VCU. There does seem to be a fragmented approach to the voluntary sector nowadays from the government perspective." (Health and social services)*

As was evident in attempting to set up these interviews, the principle behind the *Partners for Change* document, that there would be a contact person for each government department and agency with responsibility for voluntary and community sector liaison, has not yet fully embedded itself in policies and procedures. This lack of joined up government was also a frustration in attempting to acquire information about the level of government funding of the sector through contracts and service level agreements. It also became clear during the interviews that there was little or

no awareness in government agencies, outside those directly involved, of cross cutting efforts such as the current Task Force, *Partners for Change*, the Joint Government/Voluntary Sector Forum or the Treasury Review on public service delivery.

In general there was widespread support and appreciation of the voluntary and community sector as valuable resource to government in its efforts to provide public services. This extended to comments about the need for the sector to be a critical independent voice in steering government agencies in the most appropriate and efficient delivery of services.

*"In general, government and [our department] respects and values the sector for the advice they can give as well as for their actual existence...Government still needs a voluntary sector that is campaigning and critical of policies and procedures."* (Government department)

*"There is, I think, a greater understanding of the important role played by the sector in society and not just for the socially excluded or marginalised."* (Health and social services trust)

#### **4.4   Loss of independence and partnership**

There was some recognition that groups in the sector were wary, if not downright resistant, of becoming involved in contracting and the delivery of services because of the perceived impact on their independence. Some interviewees felt that this should not be an issue for the sector whereas others stated that if groups were of that opinion it was their choice to be involved in the first place.

*"I sometimes feel that voluntary and community groups are loath to get involved in service provision, they treat it with distaste as a loss of independence and having to be involved in the bidding process as somehow unseemly for them"* (Government department)

*"When groups enter into a Service Level Agreement there will always be implications and compromises they have to make in terms of standards and*

*ways of working. It may not always suit them or can sometimes take away from some of the other work they feel they should do.*" (Health and social services trust).

The general impression created during the interviews was that most, if not all, felt that they did not see that becoming involved in service delivery should necessarily lead to an inability to speak out about government policies and practices. Indeed, there was a view that government departments and agencies expected and welcomed this from community and voluntary organisations. Suggestions were put forward as to how groups could get around this as an issue if they felt uncomfortable about their position.

*"I don't consider at all that [service delivery] hobbles organisations in criticising us as funders."* (Health and social services)

*"A possible solution to the loss of independence...may be to set up a trading arm of the organisation so that service provision and policy formulation, lobbying, etc. are independent of each other. In that way groups may find it easier to be critical of funding agencies and it will have no impact on the activities of service provision?"* (Government department)

A strong thread of criticism running throughout the interviews focused on the perceived level of professionalism within the sector when it came to service delivery. Several of the interviewees were not impressed with the capacity of groups in the sector and their ability to realistically perform to required standards. Some of this criticism centred round what was perceived as the historical relationship between the voluntary and statutory sectors whose parameters have now changed.

*"I feel that there is a tendency by groups in the sector not to abide by the actual specification of a particular contract but to try and adapt it to their needs. This doesn't work as [we] are tasked with providing a particular programme and, because of CPD guidelines, can only make a judgement against actual specifications. There is no latitude in this."* (Government department)

*"I have concerns about the veracity of some of the claims by voluntary and community groups which makes it difficult to make final decisions [about contracts].. Business plans and returns are needed but they are not coming forward and, in general, they are of a poor quality." (Government agency)*

These criticisms tended to come largely from government departments and agencies rather than health and social services trusts which, while not over-enthusiastic about the professionalism of the sector, did recognise that improvements had been made.

*"I think that professionalism of the sector is quite high, they are very sharp, but they need to increase this on the administrative side. There is scope for recognised standards to be adopted and applied in the independent sector and they should fit in with other policy streams." (Health and social services trust)*

*"I feel that the sector assumes many things because of the historical relationship, but things have moved on considerably and there are other driving factors to consider." (Government department)*

As was the case when groups in the sector were interviewed, there were some negative comments about the supposed partnerships being established between the two sectors. Interviewees felt that there was reluctance on behalf of the sector to be fully involved in partnerships without any real understanding as to why this might be the case.

*"We've recently found that there is a bit of reluctance on behalf of the sector to work in partnership with the trust particularly when it comes to sharing premises. Many seem to want the security of their own base which seems a shame as a lot of sharing and collaboration can go on in this sort of setup." (Health and social services trust)*

In a reflection of the changing nature of public service management and the demands of performance contracting, many of the interviewees were at pains to stress that such partnership approaches are difficult to sustain or even go against the requirements of equity and Best Value guidelines. Once criteria have been

established for contracting out a programme, statutory sector staff have little or no room for manoeuvre in deciding who will receive a contract or in changing the nature of a programme.

*"[We] have to be concerned with the provision of new and innovative services and the Best Value guidelines for provision and not the feelings of voluntary and community groups concerned. Groups in the sector need to be aware of this when becoming involved in service provision."* (Government department)

*"With the [programme] in north/west Belfast we had members of the community forum sitting on the contract judging panel and they had their eyes opened to just how scrupulous and careful they had to be in the process."* (Government department)

#### **4.5 Co-operation in the sector**

There appeared to be general support for idea that it might be worth organising information seminars and workshops in order to allow voluntary and community groups, and others, gain a fuller understanding of the demands of performance contracting. This was in recognition of the fact that funding regimes are changing and established ways of managing public service provision are subject to recent reforms. There was particular support for this from the Central Procurement Directorate as they were not really familiar with the existence of a voluntary and community sector or their widespread involvement in service provision and potential as a supplier of services. In fairness the majority of voluntary and community sector groups would not be familiar with the idea that the main government procurement agency would have responsibility for commissioning a wide range of programmes and social services that would fit within the brief of their activities.

*"It would be worth having some sort of workshop to disseminate information to the sector about contracting and the bidding process, but it would have to be done in such a way that it did not show favouritism to one sector over another. A sort of 'here's what it is not' information seminars."* (Government department)

*"We would be very keen to see some sort of demystification and education process within the sector and would co-operate in setting up sessions with relevant experts in attendance – solicitors, accountants, etc." (Government agency)*

However, given the size of the contracts handled by the Central Procurement Directorate there are very few voluntary and community groups that would have sufficient capacity and resources to compete effectively with the private sector. This is where the option of consortia of third sector organisations could realistically play a role in accessing some of the largest contracts. Unfortunately, it appears from the feedback from interviewees that this is something the voluntary and community sector is not very good. Several were quite surprised by this as they assumed it would be something the sector would be good at. Because of the limited pot of funding that has been available in the sector there has always been a very competitive approach between groups but it seems now that co-operation and partnership may pay bigger dividends when it involves delivery of major public services. This is certainly the view from statutory sector funding agencies.

*"It was a consortium of groups that eventually won the contract. I would have thought that setting up a consortium would have been easy for the sector to do, but it didn't seem to be. My impression was that it was quite unusual for them." (Government department)*

*"I think that there might be scope for the development of consortia and partnerships within the sector that might be able to compete with major private sector employers." (Government agency)*

*"There is a need to find some sort of balance within the sector between large and smaller groups as it leads to capacity issues for service provision. Some sort of balance between the two levels of groups." (Health and Social Services trust)*

#### **4.6 Funding and capacity**

Several of the interviewees were very aware of the negative impact of short term funding approaches on the sector and the need to move to a more sustainable funding regime. This was often linked to the ability and capacity of groups in the sector to deliver public services over a longer period of time as well as the security the statutory sector needed to feel before vital public services could be given to groups in the sector.

*"[We] maintained core funding for voluntary organisations at a time when most government departments were moving to contractual arrangements. I consider that it is essential to contribute to the central administrative costs of organisations. It ensures that groups keep to the Department's objectives as well as their own. It allows groups to not to have to chase funding."* (Health and Social Services)

*"Funding cycles have a great impact on the sector as a lot of funding is short term and cannot help with the sustainability of the sector. The 'short-termism' is ridiculous as it means that sustainability is non-existent for getting infrastructure in place."* (Health and Social Services Trust)

Following on from this point, the capacity of the sector to deal with increasing demands for quality standards and levels of scrutiny was a cause for concern for several of the interviewees. The levels of monitoring required to fulfil public service contracts was a source of criticism by groups in the sector in the *Drifting Off Course* report, as was the lack of communication between inspectors in different units within government departments. However, there was very little understanding of this issue from the statutory sector side as it purely reflects the fragmented nature of much of the provision of public services and management. The view from the sector appears to be that government is a single entity, like a corporation, and it should be easy for 'them' to co-ordinate their actions. As such, there is very little understanding of the autonomy and isolation of many government departments and agencies and the difficulties involved in communicating across these boundaries.

*"The reason for several visits by inspectors from the same department is that they are all concerned with different programmes and different aspects of them – such as monitoring, record keeping, quality, etc. We did look at having a standardised approach but we never got very far with it."*

(Government department)

*"I have concerns about the abilities of some groups, and not just the smaller ones, to meet increasing quality standards. I recognise that there is a lot of voluntary involvement in the sector but I think that it is difficult to see some organisations being able to cope with the increasing standards required or dealing with large quantities of public funding."* (Government agency)

The apparent gulf in understanding between the two sectors highlighted by this point does, unfortunately, appear to underline a lot of the issues covered in this section.

## 5.      **Conclusions**

This study provides a unique perspective on issue of the provision of public services by the voluntary and community sector. Within the very short timescale available it was always only going to be possible to provide a quick snapshot from the perspective of government departments and agencies involved in commissioning public services. In saying this, however, several of the interviewees included key personnel within government in commissioning public services with responsibility for large amounts of public money. Their perspective is extremely valuable as they are dealing with both other statutory agencies and the whole range of non-governmental providers of services. The voluntary and community sector is only a small segment within the range of their responsibility for purchasing and ensuring the provision of many key public services. It is not possible to claim that the views expressed here are symptomatic of those prevailing throughout the whole of government. However, they do give some insight into how the voluntary and community sector is currently viewed within the area of public service provision and some of the potential barriers that exist to increasing the involvement of the sector in future. The results do hint at some key lessons to be learned in this particular relationship between government and the voluntary sector.

It seems obvious to government agencies that voluntary and community groups coming to bid for mainstream public service contracts must fit within a defined system of procurement around which there is very little latitude to take account of individual differences. Due to legal and procedural guidelines there is no room for grey areas when deciding which organisation will get a particular contract and certainly not for any practice that can be deemed to favour one type of organisation over another. Acceptance of the terms of a contract also means that limitations are necessarily placed on the independence and ability of an organisation to criticise a funding agency in relation to the programme or service they have been contracted to deliver. The mission for government funding agencies appears to be one of fulfilling contractual terms and conditions and meeting set programme objectives without any reference to the particular circumstances or situation of those organisations bidding to provide a public service.

At the heart of this matter is a fundamental difference of perspective. For voluntary and community groups constantly strapped for funding, a service delivery contract is a lifeline of guaranteed funding. They are practiced at fitting funding sources to their own needs and tailoring applications to suit funding agencies and then utilising this finance to support their core activities. Developing innovative new forms of service delivery is part of what they do best and one of the reasons that government relies upon them. The expectation from the sector if a pilot project is funded is that the organisation that originated the project will then be funded to deliver the service on a wider scale. However, what often happens is that the larger service delivery contract is put up for competitive tendering with the organisation who designed the service not being the successful bidder. For the voluntary or community group concerned this result has the potential to seriously undermine their long-term sustainability.

From the point of view of the government department or agency tasked with implementing a wider scale service the impacts on a particular organisation are not their major concern. The response from the government department involved is a good illustration of this wide gap of perspective: *"It is always the activity and not the group that would be mainstreamed and the sector needs to recognise this...They need to be aware that if they become involved in pilot activity it necessarily means there is a chance that they would not get the long term contract for provision if they do not have the capacity to deal with full implementation."* The task for the government department concerned is to provide new and innovative services within the constraints of best value guidelines without any regard to where the innovation is coming from. Thus, there is a feeling on one side that there are no grounds for any special treatment of organisations from a particular sector within service contracting. The belief on the other side, unfortunately, appears to be that because of the type of organisation they are and the communities they represent, they should receive such treatment.

The fragmented and varied nature of the voluntary and community sector is a source of difficulty for many of those in the statutory sector. It leads to concerns about the capacity of groups to deliver large-scale public services and to deal with increasing demands for quality, accountability and transparency. It also leads to calls for rationalisation within the sector and a greater use of consortia and partnerships in

competing for public service contracts. Underlying some of these concerns appears to be the absence of a single organisation or forum that can speak on behalf of all those groups in the sector that are involved in service delivery and act as a driver and conduit for information, advice and standard setting. Current funding regimes have a part to play as participants in this research clearly agreed that short-term and fragmented funding arrangements have a negative impact on the sustainability and capacity of the sector to provide public services.

Underlying many of the specific issues identified during these interviews, and those previously carried out with representatives of the sector, is what can only be viewed as a gap in understanding about the fundamental nature and function of the two 'sectors'. This gap in understanding the perspective of the other is not universal as many comments were made about the value and necessity of the voluntary and community sector in meeting government's policy and public service objectives, and the difficulties government must surmount in meeting increasing demands for service delivery. But there does seem to be, on both sides, a lack of understanding of the nature of the other, their differential motivations and constituencies, and the different ways of working. From the government perspective there is some level of incredulity expressed at the range and type of organisations that make up the voluntary and community sector and the variations between what are superficially the same type of organisation. The fact that there are two main types of organisation voluntary and community, within the sector without any clear defining line between the two only adds to the confusion. There is also no single representative body for the sector and neither are there accepted standards of best practice for most of the principal activities of voluntary endeavour. There is also concern about the use of volunteers at senior levels within voluntary and community groups and doubts about professionalism, governance and accountability.

From the point of view of many in the voluntary and community sector there is a belief that government is one large corporate entity and disbelief when it appears that some parts do not communicate with others very well. There is a lack of understanding of the independence of government departments and agencies, even units within the same department or agency, and a level of surprise at the difficulty of introducing and maintaining cross cutting policies and procedures. This surprise often turns to cynicism when it appears that innovative partnership approaches that

value the voluntary and community sector, such as *Partners for Change*, are ambitious policy statements without the quasi-legal status of compacts as they exist throughout the UK. This view rests on a somewhat naïve belief that the voluntary and community sector is a special part of civil society without which the job of government would not be successful. Bridging the ground between these two opposing views will require quite a bit of work as, in some sense, they are competing views of who serves the public best.

## 6.      **Recommendations**

There is a very definite need for regular information exchange between government and the voluntary and community sector about procedures for contracting and commissioning of public services. If one designated Government agency, such as the Central Procurement Directorate, was capable of organising this in conjunction with the sector this would be greatly beneficial. There are, however, many potential difficulties but some progress needs to be made towards improving the current state of affairs. Demystification of the whole process of procurement, competitive tendering and service delivery is needed as is a central source of information.

A clear policy statement from government is required, specific to Northern Ireland, regarding the future involvement of the voluntary and community in public service delivery and the future plans for disbursement of the Northern Ireland share of the *futurebuilders* fund. This should be considered by the Task Force as part of their recommendations. Guidance and advice is needed covering the demands of public service delivery and the likely implications for voluntary and community organisations that become involved. There is also a need to improve lines of communication with government departments and agencies such as that promised by *Partners for Change*.

The voluntary and community sector itself needs to be much more pro-active, strategic and transparent about involvement in service delivery. Some sort of arena is required where information, experience and advice could be shared by those participating in service delivery or considering doing so in future. It is clear that involvement in public service delivery is not suitable for every voluntary and community group and that there are repercussions to being involved. There is also a need for the sector to become more open to the possibilities inherent in forming consortia or partnerships when it comes to public service delivery.

It might be appropriate to explore the possibilities of job exchanges between senior people in government departments and voluntary and community sector organisations. Being able to see the perspective from the other 'side' may assist in reducing the apparent gaps in understanding between Government and the voluntary and community sector.

The sector needs to spend much more time exploring the strategic implications of involvement in public service delivery, how this is managed so that there is no loss of independence or critical voice and the lessons that can be learned from previous experience and best practice in other regions. Involvement to date by the sector in public service delivery has been piecemeal and haphazard. In order to take advantage of the increased opportunities available, the voluntary and community sector needs to review its position and ensure that future training and development opportunities focus clearly on this option as a key area for growth and sustainability.

D r i f t i n g   O f f   C o u r s e ?

---

**Appendix 1: Financial data from interviewee organisations**

Organisation	% of Income from Contracts 2002/03	Number of Contracts	Total income from Contracts	Number of Years Contracting	Purchaser	Number of Paid Staff Employed through the Contract	Number of Volunteers working on Contract	Year Established	Main purpose
Advice Centre	76%	4	£96,500	1	Cookstown DC, Magherafelt DC, NIE and NIHE.	6	14-15	1983	Advice/advocacy/information
Rural Development Organisation	50%	4	£79,000	8	WHSSB, NIE Power Team, Fermanagh College and Fermanagh Training.	8	0		Economic/community development/economic
Early Years Project		2	£10,000	4	Causeway HSST, Sure Start Coleraine	8	0	1994	Economic/community development/economic
Community Counseling Service	8.50%	2	£17,000	3	N&WBHSST and Probation Board	9	6	1993	Medical/health/sickness
Rural Association		1	£90,000	1	NIHE Supporting People			1989	Rural development
Environmental Trust	2%	3	£2,200	7	Newry & Mourne DC, Voluntary Activity Unit and N&MHSST.	13	10	1993	Economic/community development/economic
Volunteer Services	75%	3		5	DEL, Down Lisburn HSST and Probation Board NI.	4	0		General charitable
Rural Community Carers	65%	3		9	Foyle HSST	16	0	1986	General charitable
Activity Centre	30%	2+		7	Probation Board NI,	5	70	1989	General charitable
Cross Community Organisation	25%	2	£30,000	12	Ballymena BC & Belfast CC	4	0	1990	Education/training
Family Caring Centre	54.50%	7	£138,532	7	Homefirst (NHSSB) and HAZ	15		1985	Education/training
Rural Advice Service	68%	2	£92,500	8	S&LHSST & Omagh DC	4	2	1995	Advice/advocacy/information

D r i f t i n g   O f f   C o u r s e ?

Community Counselling Organisation	65%	6+	£84,000	6	Omagh District Partnership, Foyle HSST, Limavady (Health Centre) and Westcare, Seven Oaks Fold and BELB	8	12	1996	Medical/health/sickness
Childcare Association	28%	3	£28,000		North & West Belfast HSST, BIFHE and BELB.	16		1988	Education/training
Community Care Centre	80%	2	£106,000	6	N&WBHSST and NIHE	12	0		Medical/health/sickness
Housing Support Service	100%	3		6	Foyle HSST, S&LHSST and NIHE Supporting People.	75 - 80	0	1989	Accommodation/housing
Childcare Network	100%	1	£250,000	1	Local Childcare Partnership organised through SHSSB	11	0	2001	Medical/health/sickness
Physical Disability Organisation	10%	2	£15,000	4	A&DHSST & Causeway HSST	8	0	1966	Disability
Advice Centre Association	5%	2	£9,000	4	Equality Commission and NIE	0	0	1995	Advice/advocacy/information
Drug Counselling Service	12.50%	1	£28,000	1	A&DHSST	1	0		Advice/advocacy/information
Women's Resource Centre	70%	3		17	NIHE, NIHE Supporting People, N&MHSST	7	9	1983	Education/training
Parenting Organisation	25%	3	£??,???	9	C&BHSST, N&MHSST, Probation Board NI	4	0	1995	Education/training
Youth Service	70%	5	£350,000	10	DLHSST, SELB, N&WBHSST, EGSA, NIO	12	20	1988	General charitable
Community Health Network (Income now £672,000)	29%	7	£192,000	7	DHSSPS, OFMDFM, SHSSB, S&E Belfast HSST, RNIB and Mid Western Health Board Limerick	7	0	1990	Economic/community development/economic
Housing Support Organisation	100%	2		12	Executive, DSD	20	?	1991	Economic/community development/economic

D r i f t i n g   O f f   C o u r s e ?

---

Disability Organisation	50%	1	£100,000		Consortium of four HSST's in Belfast.	0	0	1953	Education/training
Community Enterprise									Education/training
Family & Community Group								1991	General charitable
Community Arts Centre								1992	Arts/culture
Training Services								1985	Education/training
Disability Care Organisation	2%	3	£6,000		S&EBHSST, S&LHSST, Foyle HSST	0	0	1945	Disability
Adult Education Network								1995	Education/training
Childcare Association	15%				5 Contracts/SLA's with Trusts			1964	Education/training
Disability Employment/Training					DEL			1962	Disability
Community Training Provider								1988	Education/training
Mental Health Association					All HSST's with exception of Craigavon and Banbridge				Medical/health/sickness
Youth and Community Training				8	DED for Young People			1979	Education/training
Environmental Organisation					NIO, Derry City Council, NIHE			1991	Environment/conservation/heritage
Cross Community Network					Gov Departments, NDPB's,			1991	Cross border/cross community
Paramedic Organisation									Medical/health/sickness
Mental Health Charity								1980	Disability

D r i f t i n g   O f f   C o u r s e ?

---

Adult Education Association								1910	Education/training
-----------------------------------	--	--	--	--	--	--	--	------	--------------------

## **Appendix 2: Further interview quotations**

### **Reasons to be cheerful**

#### **Subject – benefits of contracts:**

*"The main effect of entering into contracts include the fact that we have had to act more professionally and that the legal issues within the organisation have become more complex ... (but) contracts have helped the organisation to bring in a small profit which can then be put into charitable work."* (Belfast Activity Centre)

*"Contracts create more stability for the organisation as [grant] funding does not allow for management costs but contracts enable core funding for staff to manage. They allow small organisations like this to build up reserves."* (Health Network)

#### **Subject - clarity of contracts:**

*"Core funding amounts to about one-eighth [of our income] overall but we are trying to change the nature of the relationship to one that is more like a service level agreement. We are meeting stiff resistance from [funder] about this and we haven't accepted the core grant yet as we are still negotiating it – but it puts the organisation at risk. A constant difficulty in dealing with departments is that they claim because we are core funded the department should not have to pay the full costs of the service provided..."* (Community network)

#### **Subject - stability and security:**

*"We would be happy to develop more contracts in the future. In the future the more contracts we can undertake the more sustainable the organisation will become."* (Community Creche)

*"We are constantly trying to get more contracts with other sources ...We aim to become more self sustaining over the next number of years. As the percentage of income raised through service level agreements increases the level of funding*

*required from [head office] will be reduced. This is good as the money will be available for other areas of need.*” (Parenting advice organisation)

*“I realise the importance of contracting and am driving the organisation to do more because there is so much more freedom with contracts. The contract creates more stability for the organisation. It would have been impossible for us to build up a reserve through funding but contracting has allowed us to.”* (Community health organisation)

**Subject – lax monitoring:**

*“In all contracts a six monthly and yearly report is required. There are no difficulties in developing the reports as the information is recorded for internal records anyway.”* (Parents advice organisation)

*“The monitoring process involved with contracting is very straightforward because of the credibility of the organisation and the level of trust that has been built up through the contract.”* (National disability organisation)

*“Some [HSS] trusts are very laid back in their approach resulting in contracts with no re-negotiation for up to five years.”* (Children’s organisation)

**Subject – greater influence:**

*“There are some real advantages to having a relationship with Health and Social Services Trusts and we can learn from each other. There are some opportunities for training days where they can offer specialist training in a two-way process.”* (Disability organisation)

*“The [HSS] trust is very good in taking on board the ideas and changes that [we] would like to make to the contract.”* (Community counselling group)

**Subject – greater professionalism:**

*"The management committee have also become more aware of their responsibilities as a result of contracting. The organisation is now a company limited by guarantee and the management committee members are now directors."* (Early years project)

*"The management committee has been transformed as a result of contracting. It has widened as the organisation has moved into new areas of work."* (Community therapeutic association)

*"We have become more professional as a result of contracts. There is a greater understanding of the implications of service delivery and there is also an increase in our power to deliver."* (Cross community organisation)

*"The management committee has quite changed since the organisation was first established. [It] went from being a pleasurable experience to being a hard-nosed decision making body ... We also used to have more volunteers in the past but now there is more work and less pleasure in tasks that have to be completed."* (Rural development organisation)

*"We have to be much more commercial in our approach nowadays."* (Community training organisation)

**Subject – mission drift:**

*"There is no mission drift within the organisation as it is important that we stick to our core aims."* (Parenting organisation)

*"There is no mission drift within the organisation as this counselling service for young people totally falls within the ethos of the organisation. This service is something that [we] have been shouting about for a long time."* (Community counselling group)

*"Contracts have never been a problem for us as we have always been involved in counting numbers and dealing with specified outputs and meeting targets."* (Adult education provider)

**Subject – blurring of boundaries:**

*“Are we a voluntary organisation or a service provider? Not sure about that one. We are driven by our mission to provide services for disabled people so that our vision is still there but we are also under a lot of pressure in terms of service provision and contracts. We try to keep a balance between the two but it is not always easy.”*

(Disability charity)

*“Blurring of the boundaries is not a problem as long as you are very clear of the boundaries. Overall there could be a blurring of the boundaries between the voluntary and private sectors but this is not a worry.”* (Advice centre)

*“There is no problem for the voluntary and community sector in terms of moving into new areas and blurring the boundaries. Statutory agencies have also blurred the boundaries and have moved from their core aims.”* (Environmental trust)

**The dark side of the moon?**

**Subject – reduced independence:**

*“The level of independence within the organisation is currently compromised by the fact that we do not have very many contracts and are attempting to build up a reputation so that other trusts will become interested in the course. If more trusts became involved as purchasers of the course there may then be a greater feeling of independence and ability to criticise purchasers.”* (Disability charity)

*“We are determined to remain independent and although the service level agreement is up and running the final contract has not been signed due to issues involving our independence.”* (Advice bureau)

*“The Department does have some degree of veto when it comes to what the organisation does and gets involved in. We have had problems applying for peace money as it had to be run by the Department and they didn’t agree. They control us more than we control them.”* (Youth training organisation)

*"There is reduced independence for the organisation that undertakes contracts as the purchaser holds the lion's share of the options." (Housing Aid group)*

**Subject – blurring of boundaries/lack of partnership :**

*"The contract culture of the '90s meant that many voluntaries became puppets of the statutory sector and we were constantly attempting to force a voluntary sector ethos onto projects. I feel that there is an attempt to force statutory sector approach and ethos onto voluntary organisations." (Mental health charity)*

*"I feel that the department treat us as if we were a private company. They talk about partnership but it is very one-sided." (Community youth training)*

*"It is getting to the stage where we are taking almost a private sector approach to our activities and funding." (Disability network)*

*"If contracts go wrong there can be wider implications. One example is [named] HSSST which suffered a cut and as would be expected they protected their own jobs and charities find themselves out without any good reason." (Disability organisation)*

*"There is a clear power imbalance in the funding relationship although it is portrayed as a partnership." (Children's organisation)*

*"Many organisations feel that they don't have a lot of power over the purchaser within contracts. I've heard that [government agency] has a reputation for being arrogant and unwilling to facilitate organisations when they had grievances." (Youth residential centre)*

**Subject – core costs:**

*"Because [we] are a voluntary organisation the [HSS] trust expects us to do more. They play on your emotions, making you feel that you have to provide a service over and above those outlined in the contract." (Rural disability organisation)*

*"One of the difficulties with this sort of funding is the fact that there is no contribution to core costs or the insurance element. Employers of trainees are very unwilling to cover liability insurance because of the disability factor. Public and statutory bodies are the worst offenders at this."* (Disability employment service)

*"The core costs are difficult to get as funders feel they have a responsibility to fund the service but not the overheads."* (Youth education provider)

*"They [government agency] were refusing to provide an ongoing contract for this although they did want to impose a service level agreement with time limits for service without any returns for [our] investments. I feel that in many cases this sector is subsidising the public sector in service provision."* (Disability charity)

*"It also took them a long time to realise that they had to pay the core costs. They appeared to have the attitude that [we] had provided the service for so long why should [they] pay now?"* (Advice centre)

**Subject – double standards:**

*"Trusts state that the statutory sector has management costs of 4% so they should be the same for voluntaries. But this is not the case as they have the benefit of economy of scale and other hidden ways of absorbing or deflecting management costs. Voluntary groups find themselves operating with minimum or no profit or are being asked to dip into their assets."* (Mental health organisation)

*"Competition for the contracts comes from organisations in the private sector, voluntary and community sector and [name] HSST themselves who are also service providers. The question is whether or not we are getting the cream of the crop in terms of contracts or just the scraps left behind?"* (Rural caring organisation)

**Subject – double burden:**

*"I think that commercial training providers ...'cream off' the best of people by getting them to do an initial aptitude test so they can be sure they are not getting any*

*troublesome or risky candidates. Because of our voluntary sector ethos we have an open door policy to trainees and do not just select the best. Because of this they send us the worst, the troublemakers and those with drug abuse or psychiatric or learning disabilities. However, very little allowance is made for this when it comes to funding or meeting placement/outcome targets.” (Youth training centre)*

*“I think that the voluntary sector is two steps behind the private sector in that a private sector organisation would borrow the money to become big enough to provide the service. But this is not possible for the voluntary sector.” (Community health organisation)*

**Subject – influence of personalities:**

*“I also find that contract negotiations are very dependent on the personalities of those involved in different trusts. Historical reasons have meant that there may be a lack of trust between [us] and some individuals in [HSS] trusts that makes life more difficult. Personalities are very important in negotiating any contractual relationship.” (Mental health charity)*

*“The main difficulty is finding the right person to talk to and in some cases you talk to someone that you think is the right person and later find out that they are not. This process can take a long time.” (Parent advice organisation)*

**Subject – variation in practices:**

*“There is a huge amount of time, energy and resources devoted to financial servicing contracts as there is no standardisation between contracts on format of returns or monitoring. It’s getting to the stage where we feel we should be including the costs of monitoring and returns to the contract.” (Disability organisation)*

*“There is a huge amount of time expended by the organisation and staff in servicing financial and monitoring end of contracts and in negotiating them, it’s a crucial part of the business. It means that the organisation has to adopt quite a hard headed business ethos and it can sometimes be difficult to stay in contact with service users and the real heart of the organisation’s work.” (Mental health service provider)*

**Subject – lack of partnership/too competitive:**

*“One of the major problems is the level of reporting and monitoring and general administration involved. We have had to take frontline staff away to deal with it and we have completed three separate inspections over the last year as well.”* (Adult education provider)

*“The other difficulty is that you can’t afford to say that there are problems or difficulties as there is no room for partnership or feedback as there used to be. It was seen as a partnership approach in the old days. I think [department] feel that they have it cracked now so there is no need for this sort of approach now. We (voluntary sector) were needed desperately at the start but now that there is a good infrastructure in terms of people and facilities it is no longer the case.”* (Community training organisation)

**Subject – risks/timescales:**

*“In some cases the timescale for preparation to undertake a contract may not be realistic. Funders think that a new member of staff can be sitting at a desk the next day but in reality it takes three to four months to organise a new member of staff. This lead in period is often forgotten about by the funder.”* (Activity Centre)

*“There are some difficulties related to the amount of time that we have to prepare for a new contract. The speculation is difficult as you don’t have the money to employ until you get a contract and other work has to be put to one side to fit the new contract in. As a result some things can get left behind ...”* (Community health organisation)

*“There is often little time given to get organised for contracting. There is little opportunity for the organisation to negotiate important aspects of the service provision.”* (Training provider)

## D r i f t i n g   O f f   C o u r s e ?

---

*"Even though new quality standards systems are being introduced requiring new procedures and reports there is no allowance made for the cost of this, you are just expected to carry it."* (Community youth training)

## References

ACEVO, *Replacing the State?* London, ACEVO, 2003

ACEVO, *Funding Our Future II: understand and allocate costs*, London, ACEVO and New Philanthropy Capital, 2002.

Acheson, N. 'A Partnership of Dilemmas and Contradictions: Unresolved issues in government-voluntary sector relations', in Acheson, N. and Williamson, A. *Voluntary Action and Social Policy in Northern Ireland*, Aldershot, Avebury, 1995.

Boyle, R, *Autonomy V. Accountability: Managing Government Funding of Voluntary and Community Organisations*, Dublin: Institute of Public Administration, 2002

Boyle, R. and P. Humphrey, *A New Change Agenda for the Irish Public Service*, Committee for Public Management Research Discussion Paper 17, Dublin: Institute of Public Administration, 2001.

Chalmer, J. and G. Davis, 'Rediscovering implementation: public sector contracting and human services', *Australian Journal of Public Administration*, 60, 2, pp. 74-85, 2001

Charities Aid Foundation, *Dimensions of the Voluntary Sector: Key Facts, Figures Analysis and Trends*, London, CAF Publications, 2003.

DHSS (SSI), *Personal Social Services in Northern Ireland, Adding Value: The Contribution of Voluntary Organisations to Health and social welfare*, Belfast, Social Services Inspectorate, 1998.

DHSS, *People First, Department of Health and Social Services (NI)*, Belfast, DHSS, 1990.

DHSS, *The Strategy for the Support of the Voluntary Sector and for Community Development in Northern Ireland*, Belfast, Voluntary Activity Unit, 1993

DHSS, *Compact between Government and the Voluntary and Community Sector in Northern Ireland: Building real partnership*, Belfast, Voluntary Activity Unit, 1998.

DHSS, *Consultation Document on Funding for the Voluntary and Community Sector (Harbison Report)*, Belfast, Voluntary Activity Unit, 2000.

Edelman, M, *Political Language: Words that Succeed and Policies that Fail*, New York: Institute for the Study of Poverty, 1977.

Gutch, R., *Contracting Lessons from the US*, London, NCVO, 1992.

HMSO, *Efficiency Scrutiny of Government Funding of the voluntary Sector: Profiting from Partnership*, London, HMSO,1990.

HM Treasury, *The Role of the Voluntary and Community Sector in Service Delivery: a cross cutting review*, London, The Stationery Office, 2002.

Jackson, P.M. and L. Stainsby, 'Managing public sector networked organisations', *Public Money and Management*, January-March, pp. 1-16, 2000.

Kendall, J and M. Knapp, *The third sector and welfare state modernisation: Inputs, activities and comparative performance*. London, Centre for civil Society, Working Paper 14, December 2000

Kendall J. and M. Knapp, *The Voluntary Sector in the UK*, Manchester: Manchester University Press, 1996.

Knight, B. *Voluntary Action*, Centris Research Project: voluntary action in the 1990s, London, HMSO,1993.

Leat, D, 'Theoretical differences between not-for-profit and non-profit organisations, in D. Leat, *Challenging Management*, London, VOLPROF City University Business School, 1995.

Lloyds TSB Foundation, *A Measured Approach*, London, Lloyds TSB Foundation, 2002.

Northern Ireland Audit Office (NIAO), *Investing in Partnership: government grants to voluntary and community bodies*, London, The Stationery Office, 2002.

NICVA, *State of the Sector III*, Belfast, NICVA, 2002.

Northern Ireland Executive, *The Review of Public Administration in Northern Ireland*, Stormont, 2002.

Northern Ireland Executive, *Programme for Government*, Belfast, The Stationery Office, 2001.

Northern Ireland Executive, *Local Government (Best Value) Bill*, Stormont, 2001.

NCVO, *Public Service Delivery and the Voluntary Sector*, London, 2003.

OECD, *Performance Contracting*, PUMA/PAC(99)2, Paris: OECD, 1999.

Boyle, R, *Partnership at the Organisational Level in the Public Service*, Dublin, Institute of Public Administration, 1998.

OFMDFM, *Programme for Government (2002-2005): Making a difference*, Belfast, 2002.

Policy Research Institute, *Valuing the voluntary and Community Sector in North Yorkshire and York*, London, PRI, 2000.

Rosenman, M., 'Morphing into the market: the danger of missing mission', Paper presented at the 6<sup>th</sup> NCVO *Researching the Voluntary Sector Conference*, Birmingham University, 2000

Russell, L. and Scott, D., *Very Active Citizens: the impact of the contract culture on volunteers*, Manchester, University of Manchester, 1997.

Salamon, L.M., *Partners in Public Service*, Baltimore: John Hopkins University Press, 1987

Voluntary Activity Unit, *Partners for Change: Government's Strategy for Support of the Voluntary and Community Sector 2001-2004*, Belfast, Department for Social Development, 2000.

Weisbrod, B.A., *The Voluntary Non-profit Sector*, Lexington: D.C. Heath and Company, 1977.

Wistow, G. Knapp, M. Hardy, B. and C. Allen, *Social Care in a Mixed Economy*, Buckingham: Open University Press, 1994.

Wolfenden, J. *The Future of Voluntary Organisations: the report of the Wolfenden Committee*, London, Croom Helm, 1978.

Young, D.R., 'Alternative models of government — non-profit sector relations: theoretical and international perspectives', *Non-profit and Voluntary Sector Quarterly*, vol. 29, 1, pp.149-72, 2000.